

NEWS: EUROPE

Old-guard politicians, Mafia and renegade intelligence agents said to be behind car bombs in Rome and Milan

Italian security chief quits

By Robert Graham in Rome

THE head of Italy's domestic intelligence service resigned yesterday as President Oscar Luigi Scalfaro and Prime Minister Carlo Azeglio Ciampi talked of a "criminal design" to destabilise Italy at a delicate moment of political transition.

They called for calm in a nation last week rocked by the suicides of two prominent figures involved in the corruption scandals.

The resignation of Mr Angelo Finocchiaro, head of the Sismi intelligence agency, followed three car bomb explosions in Rome and Milan on Tuesday night. Five people were killed.

It was not clear whether Mr Finocchiaro's resignation was forced by the Ciampi government. But there has been strong criticism by politicians of the lax control of Italy's security services, and their apparent failure to control terrorism that has killed 10 people in the past two months.

Although the precise responsibility for the car bombs remains a mystery, officials said yesterday they had been

Mr Franco Nobili, 67, former chairman of Iri, Italian state holding company, was yesterday released after 77 days in a Milan jail on corruption charges. His release follows the suicide in prison of Mr Gabriele Cagliari, former head of Eni and also accused of corruption, and criticism of magistrates' use of preventative detention.

planned deliberately. The bombs exploded as political parties are about to approve electoral laws that will usher in a largely new political class and at a crucial stage in the investigations into political corruption: leading politicians of the past decade are expected soon to be linked to enormous sums of illicit money.

In response to the latest outrage, Italy's trade unions held two-hour stoppages in Rome and Milan yesterday, accompanied by large demonstrations. Pope John Paul II made a point of inspecting the damage at the sites of the two car bombs in Rome - the basilica of St John Lateran and the 13th century church of St George, Velabro.

As with the two earlier bomb outrages at Florence's Uffizi Gallery and in a wealthy residential area of Rome in May, the authorities were unable to give clear indications of those responsible. No arrests have

been made in the two months since these bomb-killed five people in Florence and damaged part of the world-famous picture gallery as well as injuring 23 in Rome.

Mr Nicola Mancini, the interior minister, pointed the finger at organised crime. He said there were similarities between Tuesday's bombs and the car bomb that assassinated Mr Paolo Borsellino, the anti-Mafia judge, in Palermo last July, as well as the bombing of the Naples-Milan train in 1984 that killed 15 people.

The Borsellino killing was the work of the Sicilian Mafia, while the Naples-Milan train bombing was blamed on a mix of organised crime, right-wing extremists and elements within the security forces. Uncontrolled elements in the security services along with the Mafia, backed by some of the old-guard politicians, are now being accused of orches-

trating the car bombs.

In the wake of the Uffizi car bombing on May 27, the Ciampi government carried out four changes in the senior hierarchy of the security services. Pressure for a major clean-up of the Sismi has increased in recent weeks following the discovery that a number of top officials, past and present, had expropriated L14bn (\$3.7m) of its funds and had been running a travel agency on the side.

The car bombs all exploded during the late evening/early morning. Yesterday, the authorities played down earlier suggestions that firemen had been lured to a burning car in Milan with the bomb then being exploded. Two car bombs were placed beside two ancient religious buildings in Rome - St John Lateran, which once housed the Pope and was where Mussolini signed the 1929 pact with the Church. All three bombs were directed against Italy's cultural/artistic heritage, the Milan explosion being outside the Contemporary Art Museum. The portico of St George, Velabro, was destroyed after recently being restored at a cost of L300m.



President Scalfaro and Pope John Paul II inspect the damage to the basilica of St John Lateran in Rome

Consensus on new leader for bank eludes EC

Battle for EBRD post still wages

By Anthony Robinson, East Europe Editor

THE European Community last night failed to agree on a consensus candidate to replace Mr Jacques Attali as head of the European Bank for Reconstruction and Development (EBRD), after an extra week of increasingly fraught horse-trading.

The top post in the EBRD, which was set up two years ago to foster investment in former communist eastern Europe, has become a pawn in the greater struggle for possession of a future European central bank.

Right up to the end of the week-long extension to the original deadline for a decision, Italy and Denmark were still refusing to renounce their own candidates. Mr Giuliano Amato, the former Italian prime minister, and Mr Henning Christophersen, Denmark's EC commissioner, in favour of Mr Jacques de Larosière, the French front-runner for the job. The name of Mr



De Larosière: front-runner

Leszek Balcerowicz, the former Polish finance minister, also remained on the table.

But unconfirmed reports last night indicated that one of the two EC rivals was on the verge of withdrawing in favour of Mr de Larosière, a former president of the International Mon-

etary Fund. The votes of the 12 EC countries are not sufficient to make the 51 per cent majority of votes required to elect a new leader of the bank. But the US, which has a 10 per cent vote, made clear that it would support an EC consensus candidate to head the bank.

A failure to reach a consensus would mean that the choice of a president could depend on the outcome of a complex postal voting procedure. This takes into account the weighted votes of the members of the Group of Seven industrial countries, which collectively possess 55 per cent of the total, and those of the 57 governors of the bank.

The latter represent shareholder governments, both east and west, which have one vote each, plus one vote each for the EC and the European Investment Bank. To be successful, a candidate has to achieve a majority of both the weighted votes, which are related to the size of the country's shareholding, and the governors' votes.

Piëch hurls some of his own mud

Christopher Parkes goes to Wolfsburg to hear VW chief answer GM and prosecutors

MR FERDINAND Piëch, Volkswagen chairman, yesterday established that he is quite adept himself with the weapon he accuses General Motors of using against him - mud.

Having summoned reporters to "Alaska" (his pet name for VW's northern home town, Wolfsburg, in the days when he was head of Audi in Bavaria), he was in a mood to practise his marksmanship.

There was one in the eye for the press and a couple for the public prosecutors investigating suspected industrial espionage by four of his new employees, most notably production director, Mr José Ignacio López de Arriortúa. A special bombardment was reserved for "our opponents".

Displaying a mild tan and no signs of resentment at having been dragged back early from his holidays, he proposed that GM and Adam Opel, its German subsidiary, call off their "shady manoeuvrings" and their "attempts to abuse the public prosecutor's office, the media and public opinion".

His first press conference on the issue has followed a bad spell for the VW side in which the company failed to secure a gag on the news magazine Der

Spiegel, which had aired suspicions and allegations that Mr López and members of his team systematically plundered GM's confidential data banks and files before joining VW. This attempt at gagging was the result of bad advice, Mr Piëch said yesterday.

Then state prosecutors investigating GM's suspicions of industrial espionage decided to widen their probe from Mr

style of delivery was more than usually punctuated by pauses.

He reminded his audience of his interview with the weekly magazine Stern, to be published today, that VW had been subjected to mud-slinging - although he did not repeat what he told the magazine, that it would defend itself accordingly.

His suspicions were based on facts, he claimed. Facts such as

two audits of VW computers had not turned up anything untoward.

But Mr Piëch seemed happier on the former ground of "facts" than in the mud-patch. His demeanour brightened visibly when he turned to his constant companion - a shiny alloy briefcase - to rummage for market data.

He had focused his presentation on an extract from a New

GENERAL Motors in Detroit yesterday maintained a silence over the latest escalation in its conflict with Volkswagen, writes John Griffiths in London.

It was left to Opel, General Motors' German manufacturing subsidiary, to rebut comments made by Mr Ferdinand Piëch, the VW chairman, that GM could have planted confidential documents found at a flat in Wiesbaden

formerly occupied by a GM manager. "The accusations and allegations by Mr Piëch are on an amazingly low level," Opel said in a statement, rejecting all of them as "without any substance".

The company added: "The statements made by Mr Piëch are in sharp contrast to the well advanced investigation results by the Darmstadt public prosecutor's office."

López and his first lieutenant Mr Manuel Gutierrez, to include two more GM defectors after establishing possible links between Mr López and documents found in their former home.

While pondering aloud if foreign reporters were aware of the law in Germany - that a person is innocent until proven guilty - he appeared well briefed when confronted with detailed questions on his allegations. His normal stop-go

the "unknown ways" in which four boxes of papers and slides, including details of a secret Opel mini-car project, reached investigating prosecutors from their place under the stairs in the former home of the defectors, Mr José Alvarez Aguirre and Mr Rosario Pizarra.

In the time between their departure from Opel - and from their Wiesbaden house - for Volkswagen and Wolfsburg, "other hands" had been involved, he said. Meanwhile,

York Times interview with Mr Daniel Jones, professor of motor industry management at University of Cardiff in Wales. "This is corporate war. GM wants Volkswagen to stay a big, uncompetitive and bureaucratic company. This is a campaign by GM to do exactly that... They are going after López until they get him," according to Mr Jones.

Mr Piëch had found in Mr Jones a valuable and authoritative ally to support his conten-

tion that GM's assault is a commercially motivated war designed to damage VW at a time when it is fighting not only for its own survival, but that of the whole European motor industry.

GM, VW claims, wants to deprive its Wolfsburg competitor, regardless of the means used, of its prize catch, Mr López, and disrupt the restructuring.

From his briefcase he fished detailed data on recent increases in incoming orders, to supplement figures in his opening statement showing that VW's top-selling Golf was widening its market share advantage over Opel's Astra rival.

VW's second-quarter loss would be considerably less than the DM1.25bn (\$720m) in the first three months of this year, and the group would return to profit in the third quarter. It was implicit that GM had reason to be worried about the rapid arrival of its wounded but agile European competitor.

News agency portable telephones checked, and in faraway Frankfurt the market gave Mr Piëch an implied round of applause - a rise of almost DM12 in the VW share price.

Recycling managers arrested

By Ariane Genillard in Bonn

FOUR managers from Thyssen Sonnenberg, the much vaunted recycling subsidiary of the Thyssen group, were yesterday arrested on suspicion of exporting toxic waste to France.

The four men, who include Mr Günther Giffels, chairman of the board of management at the Düsseldorf-based subsidiary, will be held in custody until a legal hearing due today, the prosecutor's office in the state of Hesse said.

The arrests are likely to cause considerable worry among German recycling companies which fear recurring and cumbersome examinations from public authorities.

German authorities, at federal and state levels, are anxious to improve their country's image following export of toxic waste. The Frankfurt-based prosecutor's office, which is currently investigating 40 companies for possible violations of Germany's strict environmental laws, is accusing Thyssen Sonnenberg of dumping toxic waste in France by exporting it to a front company on the Franco-German border.

Thyssen Sonnenberg denounced the arrests, calling the prosecutor's suspicions "unfounded". It said both German and French authorities had given permission, renewed until May 1994, to export waste to its French subsidiary, Lormet, in Pagny sur Meuse.

But the prosecutor's office yesterday said: "We have reasons to believe that Thyssen Sonnenberg mixed toxic waste with normal waste in order to export it. It then could tell German authorities that it was going to recycle the waste in its French subsidiary at lower costs." The subsidiary was bought a year ago, by Thyssen Sonnenberg and another German recycler called Eumet, the prosecutor's office said.

Heavy penalties imposed over milk quota failures

By Lionel Barber in Brussels

THE European Commission yesterday agreed to claw back Ecu2.3bn (\$2.59bn) in unnecessary subsidies to Italy, Greece and Spain which systematically failed to enforce milk production quotas in the 1980s.

The penalties are among the most severe in recent memory, although they fall short of the original Ecu5.35bn in excess spending incurred by the European Community between 1984 and 1989.

The reduced penalty was settled upon because the three member states have pledged to respect new rules to curb overproduction, and partly because the EC is offering an extra Ecu240m of special

assistance to Italy and Spain to remove 2m tonnes of excess milk capacity.

Both Italy and Spain face net payments this year of Ecu100m and Ecu10m only. However, Italy faces a total bill of Ecu1.345bn - which it will "pay" through a reduction in EC subsidies. The EC will recover Ecu960m from Spain, but only Ecu5m from Greece.

EC officials said the penalty levied against Italy was the toughest in more than 20 years. It underlined the determination of Mr Rene Steichen, EC farm commissioner, to make the new milk quota reforms work.

A Brussels spokesman stressed that the one-year

increase in the Italian milk quota of 900,000 tonnes was only provisional and would be withdrawn if the Rome government failed to respect the rules.

The same applied to Spain's increase of 800,000 tonnes and Greece's extra quota of 100,000 tonnes.

As late as 1991, neither Italy, Spain nor Greece had a system in place to supervise milk production or to collect the levy, according to a report by the Community's Court of Auditors.

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Commission in retreat on mergers

By Lionel Barber in Brussels

THE European Commission yesterday proposed wide-ranging measures to protect industrial designs in order to prevent trade piracy and to strengthen the single market.

The new rules, which must be approved by the Council of Ministers and European Parliament, cover electronics, furniture, fashion and the controversial market in industrial spare parts.

The Commission proposals are linked to an expanding Brussels effort to harmonise national rules covering trademarks, copyright, and intellectual property, supported when necessary by Community-wide legislation.

The Commission said new legislation was necessary because national laws on design protection varied widely. It said: "Superior design is an important instru-

ment for European industries in their competition with industries from third countries having lower production costs."

Under the new initiative, member states will be asked to support a new Community Design Office which will offer protection throughout the EC. National design rights will not be abolished, but the goal is that the EC design will gradually supersede them.

The Commission proposed that industrial designs with an "individual character" will be eligible for EC-wide protection from counterfeiters for five years, renewable up to a maximum of 25 years.

Industries such as fashion which produce large numbers of designs with a short shelf life can apply for a weaker form of protection called Unregistered Community Design. This would apply for a maximum of three years, and would

exist once the design was made available to the public.

The Commission took a more controversial decision on the level of protection to be offered to spare parts for cars. Under the Brussels proposal, spare parts would receive only three years' protection from the date a model comes on to the market.

The decision represents a victory for commissioners such as Sir Leon Brittan who argued that greater protection would restrict competition and raise costs to consumers; but it is a setback for large car companies such as Fiat and VW which wanted broader protection for items such as bonnets or bumpers whose design is dictated by the car's overall appearance.

Commission officials hope to introduce legislation within the next two years. The initiative follows extensive consultations.

Brussels plans crackdown on industrial piracy

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Brussels split over loans for steel restructuring

By Lionel Barber in Brussels

THE European Commission yesterday failed to agree a loan scheme to help steelmakers establish a \$1bn restructuring fund, dealing another blow to the European Community's steel rescue plan, Kenter reports from Brussels.

Several commissioners questioned the legal basis which would be used to implement the plan, a Brussels spokesman said.

The Commission will not be able to consider the matter again until early September because of its August break.

This could make it difficult for steel companies to meet the Community's September 30 deadline for presenting a restructuring plan.

That deadline was already in doubt because the EC postponed a critical meeting of industry ministers which was supposed to resolve several

steel subsidy disputes this month.

The loan scheme is part of an EC rescue plan designed to persuade steel companies to shed 30m tonnes of excess crude steel capacity.

The money would be lent to groups of companies, organised along three product lines, which had agreed to pool funds to finance capacity cuts.

Those making the cuts would be paid by those who benefited, with the loans helping to get the plan off the ground.

Commission sources said the scheme would involve about Ecu1bn to cover capacity cuts of about 10m tonnes of finished steel products, divided as follows:

• Ecu700m for 6m tonnes of hot-rolled coil and strip;

• Ecu140m for 2m tonnes of plates;

• Ecu160m for 2.5m tonnes of heavy sections.

Brussels is seeking about 20m tonnes of cuts in finished products, but some will have to come from companies which are not part of those groups, a Commission official said.

The spokesman had no further details about the problems with the scheme's legal basis, but said the Commission's legal service had some reservations.

The plan is based on provisions of the European Coal and Steel Community treaty.

Industry ministers are scheduled to meet on September 21 to resolve disputes over Spanish and Italian plans to aid their steel industries, a move considered critical to the restructuring effort.

US trade watchdog displays its mettle over steel, Page 4

EC plans tougher banking rules

By Lionel Barber in Brussels

THE European Commission yesterday announced proposals to strengthen the powers of banking supervisory authorities in the EC in the wake of the Bank of Credit and Commerce International scandal.

The proposals call for tightened supervision of all financial institutions, ranging from banks, credit institutions, and insurance businesses, to ensure that their operations are transparent - a quality which was absent in the case of BCCI, making it more difficult for the supervisory authorities to intervene.

The Commission said that although the basic approach of its second banking directive,

investment services directive, and third-generation insurance directive was sound, new provisions were needed to strengthen the supervisors' powers to monitor the institutions under their remit.

The Commission also proposed:

• A new requirement whereby the financial institutions must maintain their head offices in the same member state as the registered office.

• A widening of the list of bodies with whom confidential supervisory information can be exchanged by the authorities.

• Obliging auditors to report to the authorities any irregularities which might harm customers, the financial system or the undertaking itself.

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Bosnia deal on partition edges closer

By Laura Silber in Geneva

PRESIDENT Alija Izetbegovic of Bosnia yesterday appeared to have succumbed to intense international pressure when he began discussing with his Serb and Croat rivals the proposed partition of the republic along ethnic lines.

A Bosnian diplomat yesterday confirmed that the Bosnian delegation was discussing maps, and the possible formation of a confederation.

It was also revealed yesterday that western experts met Bosnian leaders to discuss the establishment of national currencies and financial institutions.

Until yesterday, Mr Izetbegovic has consistently rejected the republic's partition. "He hasn't yet made the leap of faith but he's moved nearer," said a diplomat at the Geneva peace talks.

However, the Bosnian delegation spoke bitterly of betrayal by the international community.

Mr Haris Silajdzic, the foreign minister, said he was "pessimistic" about the prospects for a settlement.

"These negotiations seem to be on the basis of the situation on the ground which was created by brute force and genocide," he added.

Serb leaders, however, seemed increasingly convinced they had achieved their aims. Mr Radovan Karadzic, the Bosnian Serb leader, yesterday warned Muslims of their stark choice in ending the war. "One way would be through talks, the other would be total defeat of one side - and it would be the Muslim side," he said.

The Geneva talks represent the first time the main protagonists in the Bosnian conflict have held face-to-face negotiations for six months, although they held a meeting without dialogue in Athens in May. Yesterday's talks focused on

A decision on the use of Nato airpower to protect UN troops in Bosnia will be made early next week, Mr Boutros Boutros Ghali, the UN secretary general, announced last night, writes Michael Littlejohns, UN correspondent, in New York.

"I hope everything will be ready on Monday or Tuesday," he said. Forward air controllers must first be in place to guide the attack aircraft. Britain, France and the Netherlands have promised to deploy the controllers and the first of the British contingent was sent yesterday to be "in theatre".

Procedures for invoking the Security Council's resolution on possible air strikes against the Serbs had still not been worked out, Mr Boutros Ghali said. Peacekeeping staff yesterday discussed the Islamic Conference Organisation offer of additional troops for the UN force.

maps outlining the future borders of the three ethnic minorities rather than on a constitutional framework, according to diplomats.

The meeting between the faction leaders took place in a room dominated by a huge map of Bosnia suspended on an easel. Mr Karadzic is said to have offered 25 per cent of Bosnia's territory to the Muslims, the largest ethnic group at 44 per cent of the pre-war population of 4.35m.

Mr Izetbegovic remains opposed to the plan to divide his republic on the grounds that it will lead to annexation of most of Bosnia by neighbouring Serbia and Croatia.

Diplomats said Mr Reginald Bartholomew, the special US envoy, was trying to persuade Mr Izetbegovic to accept a partition, while his Russian counterpart, Mr Vitaly Churkin, was asking the Serbs to make concessions to the Muslims.

Israel fears it may have dealt Syria a joker in peace talks

THE RISKS of Israel's devastating aerial and artillery bombardment of southern Lebanon were becoming apparent yesterday as international criticism intensified and the Middle East peace process came under growing threat, while there was as yet no sign the pro-Iranian Hizbollah guerrillas had been neutralised.

There was also a mounting feeling in Israel that after US President Bill Clinton's praise of Syrian "restraint", President Hafez al-Assad's hand at future peace talks had been strengthened at Israel's expense.

Some Israelis fear that as a reward for that "restraint", Syria will persuade the US to increase pressure on Israel to make a commitment to withdraw from the Golan Heights, which it seized in 1967.

Julian Ozanne on Syrian 'restraint' and doubts over the success of Israeli objectives

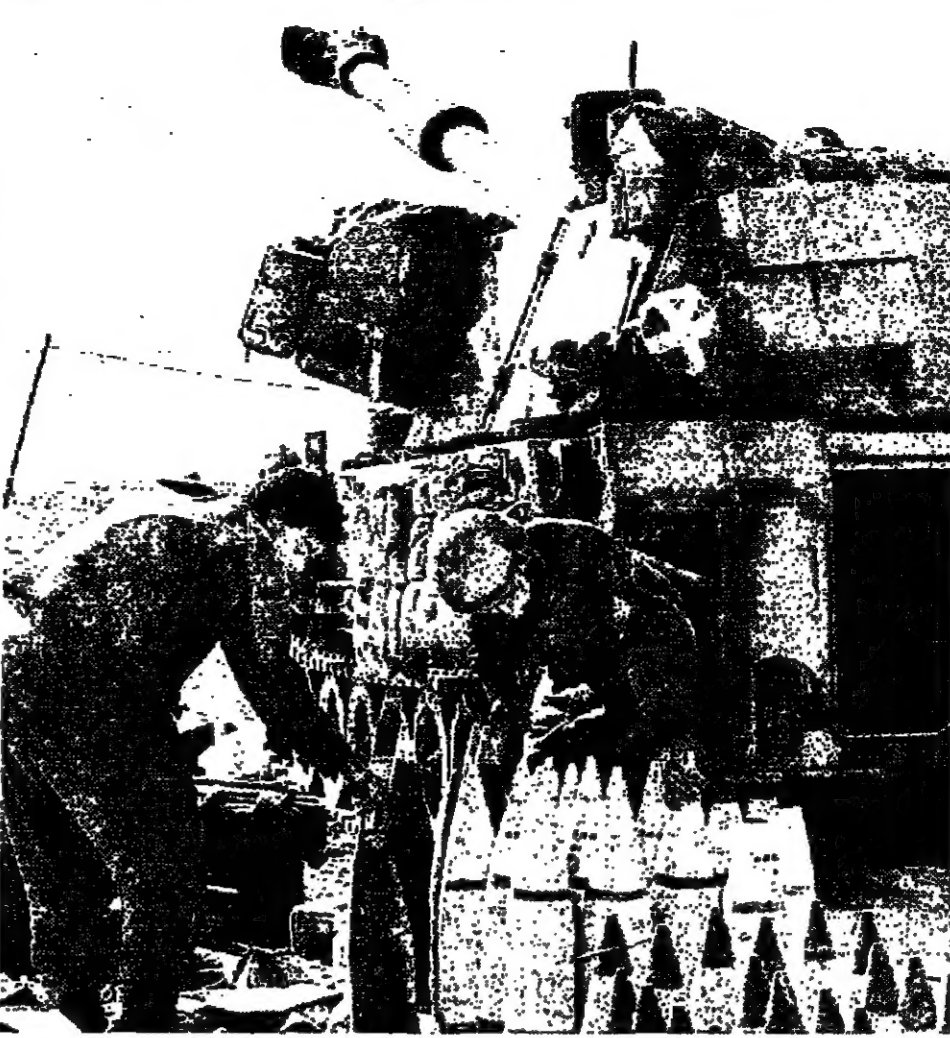
Meanwhile, the shift of the bombardment to the western and central sectors of southern Lebanon yesterday further revealed the overt and covert objectives of the offensive.

The first, confirmed in parliament yesterday by Mr Yitzhak Rabin, the prime minister, is to drive southern Lebanese villagers northwards to put pressure on the governments of Lebanon and Syria to end the Hizbollah problem by denying the guerrillas arms supplies and financial assistance, which comes mainly from Iran.

Hizbollah is the only Lebanese militia that has been allowed to retain heavy weapons, on the basis that it is fighting a war of national liberation by seeking to push Israel out of the south of the country.

The second, undeclared, Israeli objective appears to be to extend the area of Lebanon it controls without having to commit ground troops, a move that would be unpopular with the Israeli public.

As villagers headed out of south Lebanon, military officials said privately that a



Israeli soldiers prepare shells for firing beside a 155mm mobile cannon. Artillery and aircraft have hit over 50 towns and villages north of the south Lebanon security zone in the last four days

broad strip of land, 3 to 6 miles north of the self-styled "security zone", would become, at least in the short term, a no-man's land and a second buffer zone where Israel could strike easily in the future. This would put Hizbollah's 120mm Katyusha rockets, which have a maximum range of 17 miles, out of reach of settlements in northern Israel.

However, Hizbollah shows little signs of letting up in its harassment of Israel, and if Syria, which allows Iranian supplies to reach Hizbollah, does not move to curb the guerrillas, Israel could again be stuck in a war of attrition.

Even senior Israeli govern-

ment officials admit that, far from actually pin-pointing Syria as responsible for the upsurge in conflict, the Israeli offensive may play into the hands of Damascus.

Mr Shimon Peres, the foreign minister, said Syria wanted to be the one seen as solving the crisis "to gain points with the Americans and to increase US pressure on Israel in the peace talks".

Mr David Levy, a senior Likud MP and former foreign minister, said yesterday: "Syria is now considered the moderate party. We failed here... We shouldn't help turn Syria into the key for a solution to whom we'll have to beg

and to whom we'll have to pay a price."

Inside Israel the offensive remains widely popular, despite the muted opposition from the Meretz party. Mr Rabin's coalition partner. The blitz has also furthered Mr Rabin's policy of undermining the right-wing Likud, the party which traditionally prides itself on being toughest on Israel's enemies, real or imagined.

Much will depend on how Mr Warren Christopher, the US secretary of state, approaches the problems when he arrives in the region on Sunday and whether he can turn the crisis into an opportunity.

Anger of South Lebanon pours into Beirut

By Mark Nicholson in Nabatiyeh, southern Lebanon

THE population of Nabatiyeh was roughly 60,000 last Saturday, making it one of the biggest towns in south Lebanon. Yesterday, it was anyone's guess how many people were still living behind the shuttered shop-fronts and closed doors. Some of the few people visible guessed that no more than 10,000 remained.

From the roof-top of Nabatiyeh's tallest building, only a handful of people could be spotted either in the streets or peering anxiously from windows.

A few cars raced through the deserted roads, swerving to avoid debris or treetop branches sliced by incoming shells. Every 15 seconds, after a thump audible from Israeli positions overlooking the town, and the chilling hiss of an incoming shell, another house would disappear behind a piercing crack and a cloud of dark smoke.

On the ground floor of the same building, a modern shopping and office block, the shutters of only one store remained open - Akil Brothers' children's clothes. Inside, on mattresses strewn among rails of bright children's T-shirts, 25 men, women and children were huddled, terrified to move.

"There's nothing here, no food, no petrol," said Abdel Jalil, a student. "There is only one shop but it has food for maybe one day." Mr Jalil said he and the others were too afraid to travel along the road out of Nabatiyeh to safety and, anyway, had neither vehicles nor anyone to stay with in Beirut. "We'll just stay here," he said with a shrug.

Others in the 70 villages around Nabatiyeh and Tyre, where Israeli jets and gunners concentrated their attacks yesterday did, however, continue south Lebanon's exodus - bringing to perhaps 200,000 the number of refugees to have descended on Beirut since Monday. More will have taken advantage of Israel's short ceasefire late yesterday to leave.

But for civilians with no way out the dangers will only increase. Not only is there scant food or water but any visible movement inside or outside their houses is likely to attract the attention of Israeli artillery spotters, who in yesterday's raids were pounding shells repeatedly and devastatingly into selected houses.

Israel has made it clear that those who do not heed warnings to leave certain villages, broadcast every 15 minutes on South Lebanon Radio, will suffer the consequences.

The United Nations Interim Force in Lebanon said it was trying to win relief agencies into the worst hit villages to rescue the marooned.

Israel has said those who do not heed warnings to leave villages, will suffer the consequences

But some villages are now hard or impossible to reach. The main road south from Nabatiyeh, an artery for 25 nearby villages, was deserted yesterday for fear of shelling. The road to Jibsheh, five kilometres from Nabatiyeh, was severed completely by a five-foot-deep crater.

For the thousands arriving in Beirut without friends or family to receive them, the Lebanese government has so far been able to offer little more than space. Schools and public buildings have been opened to the refugees. But these yesterday were often poorly equipped to cope.

Yesterday, and for the first time in a long time, this anger poured on to Beirut's tattered streets. Thousands of Hizbollah supporters marched in a sour and noisy demonstration through the city's centre chanting "Death to Israel and America." "No to peace with Israel."

South Lebanon's problems are now also those of Beirut.

Serb police break up farmers' protest

SERB police have broken up a three-day road blockade by farmers demanding higher grain prices in the rump Yugoslavia, a Serbian newspaper said yesterday, Reuter reports from Belgrade.

Tens of thousands of farmers in the northern Vojvodina province had blocked main roads with tractors and combine harvesters in their biggest protest in Serbia since President Slobodan Milosevic came to power in 1987.

The farmers were demanding that the government peg grain prices to the D-Mark to protect them from the country's inflation, currently running at 20 per cent a day.

Belgrade newspaper Borba said they were forced to lift the

Rao government survives no confidence motion

By Shiraz Siddiqui in New Delhi

THE MINORITY government of Mr P V Narasimha Rao, India's prime minister, yesterday survived a parliamentary motion of no confidence by a narrow margin of 14 votes, after days of intense political horse-trading.

The motion, brought by the Communist Party of India (Marxist) on Monday, was supported by the Hindu right-wing Bharatiya Janata party, the National Front and Left Front parties. It was defeated by 265 votes to 251.

The opposition parties alleged that the Rao government had failed because of its "involvement" in the Bombay financial scandal, its inability to stop last December's destruction of a mosque at Ayodhya and the violence that followed, and failure on the economic front with a liberalisation programme which, they said, would leave the country's poor worse off.

A confident Mr Rao told parliament that he saw no difference from the two previous motions he had defeated in the last 25 months, and that identifying charges against him was "like looking for a few needles



Rao: accused of taking bribes in a haystack.

Mr Rao attacked the Communists for deriding his liberalisation programme when it asked for help in industrialising West Bengal, the one state where there was a left-wing government. He said Indian economic reforms had a "human face" which had not allowed thousands to lose their jobs, as they had in other countries.

Mr Manmohan Singh, the finance minister, said that the economic situation had considerably improved in the past two years, and that two years were too short a time to judge

his reforms package.

Mr Rao announced that his government would introduce bills this session to de-link religion from politics, and to initiate electoral reforms. He made no mention of the charges of corruption against him and his party, or the Bombay financial scandal, but talked instead of how the ruling Congress party was committed to solving the problems of farmers and handloom weavers. The Communists said last night that though the Congress government had scraped through, it had "suffered a political and moral defeat by managing to cling on by resorting to a shameful use of money power and horse-trading."

The Opposition alleged that the ruling party had bought at least seven MPs of the Janata Dal faction headed by Mr Ajit Singh, which announced only on Tuesday that they would support the motion.

Chaos prevailed on the floor of the House as one of the MPs was charged by his colleagues of entering the house drunk, and another Congress (I) MP, who had been hurt last week when police quelled a violent demonstration in Calcutta, was brought in on a wheelchair.

Libel action declined by HK lawyers

By Simon Holberton in Hong Kong

THE integrity of Hong Kong's legal profession has been cast into doubt after nine of the colony's leading firms of solicitors declined to represent two elected Hong Kong politicians in a libel action.

Mr Martin Lee and Mr Szeto Wah, the two senior members of the United Democrats, a pro-democracy party, claim that Mr Simon Li, a former Appeal Court judge, defamed them recently when he alleged they promoted a run on mainland Chinese banks in response to the suppression of pro-democracy demonstrations in Beijing in mid-1989.

Ten days ago the two politicians said they would sue Mr Li for his remarks which they said were false. Mr Li is an adviser to Beijing on Hong Kong affairs and was recently appointed to a high-level Sino-Hong Kong committee.

Most of the firms have cited conflict of interest in declining to represent the two politicians because Mr Li sits on the board of a company for which they act. Some of the firms have threatened legal action if their identities are disclosed.

NEWS IN BRIEF

China clamps down on unauthorised trading

Chinese authorities in Chengdu city are clamping down on unauthorised share trading, the official Xinhua news agency said. Reuter reports from Beijing. It said 42 companies in the city had issued stock certificates without approval from regulatory authorities and a lively secondary market had developed.

"It gave rise to a spontaneous market for trading shares, which in a way affected the normal progress in the experiment (of opening stock markets)," the agency said. The authorities have registered all the outstanding shares and ordered the companies that issued them to turn them into non-tradeable and non-negotiable "stock right holding cards." After the move, speculators in the free market began to disappear, the agency said.

US worried over N Korea missiles

Concern over North Korea's weapons capability grew yesterday with the disclosure by Mr James Woolsey, director of the US Central Intelligence Agency, that Pyongyang had recently tested a missile with a range which could reach Japan. Our Foreign Staff writes.

Mr Woolsey told a congressional hearing that the missile, with a range of about 600 miles, was capable of carrying nuclear, chemical or biological payloads.

"With this missile North Korea could reach Japan; Iran could reach Israel; and Libya could reach US bases and allied capitals in the Mediterranean region," he said.

Danish unemployment at record

The Danish Bureau of Statistics yesterday published figures showing unemployment reaching a record level, writes Hilary Barnes in Copenhagen. Seasonally-adjusted unemployment reached 12.3 per cent in June, up from 12.2 per cent in May and 11 per cent in June last year. High short-term interest rates, imposed to counter speculative attacks on the krone, have stifled economic recovery and depressed industrial output, exports and imports.

Romania loan tranche withheld

The World Bank yesterday said it was withholding the final \$150m of a \$400m structural adjustment loan for Romania because of the country's poor economic performance. Reuter reports from Bucharest. The International Monetary Fund (IMF) has imposed delays on its lending to Romania for similar reasons. Last week the government's negotiations with the IMF stumbled when an IMF team left Bucharest without reaching a new standby credit agreement with Romania for 1993.

Turkish troops kill 13 Kurdish rebels

Turkish troops were yesterday reported to have killed 13 more rebel Kurds in a conflict which has claimed 737 lives in nine weeks, Reuter reports from Tatan. This month alone the death toll in eastern and south-eastern provinces has climbed to 314, including 138 Kurdish militants, 82 members of the security forces and 94 civilians.

Mr Ismet Metin, governor of Agri province, said troops backed by aircraft had killed 13 Kurdish Workers' party fighters on Mount Tenduruk during a three-day hunt for rebels.

Nigeria parties bid to end deadlock

Nigeria's two parties yesterday presented a plan for an interim government to the electoral commission in a bid to end the country's political crisis, Reuter reports from Lagos.

The resolution, signed by the national chairmen of both parties, was submitted to the electoral commission at a meeting with the two parties in the capital, Abuja.

All three sides said in a joint communiqué that the plan, details of which were unavailable, would be passed to the government for consideration.

France unveils plans to spend 'Balladur bond'

By John Riddings and Alice Rawsthorn in Paris

THE FRENCH government yesterday unveiled plans to use the FF70bn (\$11.77bn) windfall from its successful "Balladur bond" issue to provide funds for business and to invest in regional schools and colleges.

The bond, designed to bridge the gap between current public expenditure and future revenues from the government's privatisation programme, raised about FF710bn, almost three times the original target when the offer closed earlier this month.

Mr Nicolas Sarkozy, the government spokesman, said that the government had decided to use FF70bn, half the surplus, to eliminate a one-month delay in the repayment of value added tax refunds to companies. This will represent a substantial boost to corporate cashflow without increasing the government's budget deficit, which is forecast to reach about FF317bn this year.

The move is intended to ease companies' short-term financial pressures due to the French recession. Mr Sarkozy said that 37 per cent of French companies owed VAT refunds - about 2.4m compa-

nies - would be repaid in full this year.

According to Mr Sarkozy, a further FF20bn of the bond surplus would be used to fund a jobs and investment package early next year. These funds will be incorporated in the government's 1994 budget plan, due to be completed in September.

As with the FF40bn initially budgeted in the Balladur bond, these funds are expected to be used for public works and construction projects.

In the meantime the government plans to use FF8bn of the surplus to provide subsidised loans to local government for the renovation of schools and colleges.

The education ministry said this initiative was also intended to help create jobs in the construction industry. Security measures will also be improved in French schools. Local authorities will also receive an additional FF7bn for youth training schemes. The French right was fiercely critical of the Socialist government's youth training programmes, but has expanded the schemes since taking power in the March elections.

The government also said it will raise 'return to school' payments to help low-income families.

Thai politicians fight for seized assets

By William Barnes in Bangkok

TEN Thai politicians, whose assets were seized after a military coup in early 1991, filed suit against Mr Tarrin Nimmanaheminda, finance minister, yesterday on charges of delaying the return of cash and securities worth Bt1.8bn (\$66.9m).

The assets were confiscated after a clique of generals, who

used abhorrence of official corruption as an excuse for the coup, found the politicians had become rich in government.

Mr Chuan Leekpai, Thailand's prime minister, said yesterday that the government would return the assets only if a court ordered it to do so.

Mr Chatichai Choonhavan, the former prime minister and now leader of the opposition,

had Bt226.5m seized; Mr Subin Pinkhayan, the former commerce minister, had Bt600m taken away.

Critics of government corruption approved a Supreme Court ruling in April that the seizures were unconstitutional. They saw it as a sign that might was no longer right in Thai politics.

But the politicians are still chasing their assets, as the

government's constitutional arbiter, the judicial council, ruled that the wealth was government property.

The finance ministry - which holds the assets - has said it has no authority to release any money.

Mr Abhisit Vejjajiva, a government spokesman, said: "This is not a question of politics or policy - we are just following the law."

Hyundai threatens lock-out of workers

TWO Hyundai companies threatened to lock out workers unless their unions reduced their pay demands as South Korea's biggest conglomerate enters its 55th day of industrial action today, writes John Burton in Seoul.

The government also dispatched more riot police to Ulsan, the south-eastern city and the main manufacturing base of Hyundai, in possible preparation to end

the strikes affecting six Hyundai companies. Meanwhile, workers at Hyundai Precision & Industry, the first Hyundai company to stage industrial action in early June, voted to approve a wage settlement by a wide margin.

The two companies threatened with lock-outs are Hyundai Heavy Industries, the shipbuilding unit and the biggest group subsidiary on strike, and Hyundai

Construction Equipment. Hyundai Wood Industries became the first Hyundai company to face a lock-out on Tuesday.

Workers at the Hyundai companies are seeking pay raises higher than that offered by management and the reinstatement of fired union leaders at several plants.

Other companies on strike are Hyundai Mipo Dockyard and Korea Flange.

NEWS: THE AMERICAS

Clinton in final budget blitz

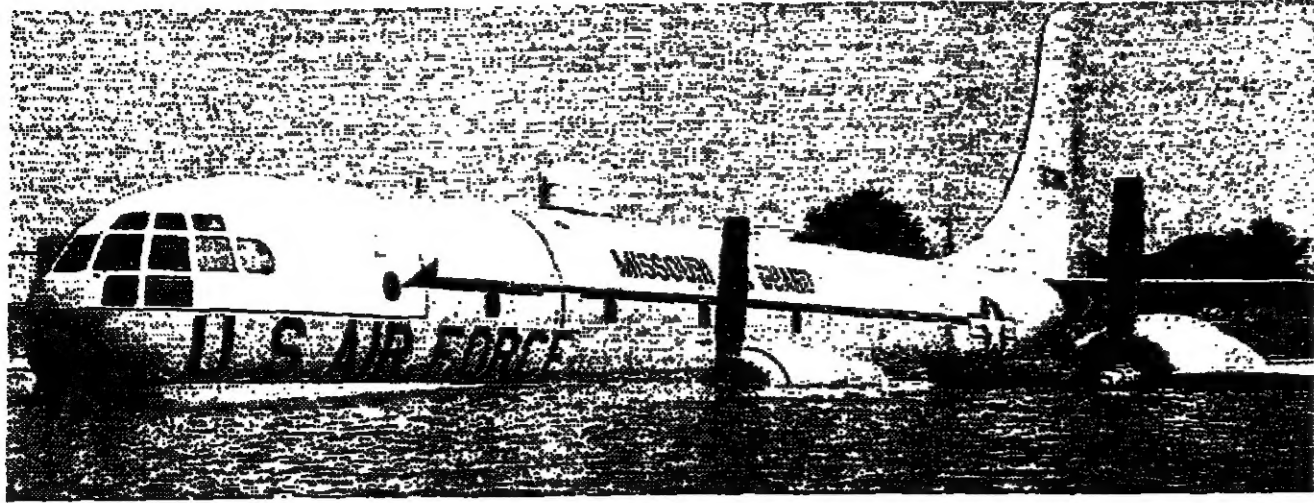
By George Graham
in Washington

PRESIDENT Bill Clinton has begun a last-ditch lobbying effort to win support for his endangered budget package with a blitz of briefings and lunches for businessmen and journalists from key states.

Special White House events have targeted Georgia, home of Senator Sam Nunn, one of the handful of Democrats who deserted the president on the budget's initial passage in the Senate. Also singled out is Texas, home of Congressman Charles Stenholm, leader of a rebellious bloc in the House of Representatives which is fighting the inclusion of an energy tax.

Mr Clinton yesterday paraded 50 top business leaders who have signed up in support of his budget plan. They include Mr Lodwick Cook, head of the Arco oil group, Mr Paul Allaire, chief executive of Xerox, Mr Dwayne Andreas, head of Archer Daniels Midland, Mr Rand Araskog, chairman of ITT, Mr Curtis Barnett, chief executive of Bethlehem Steel, and Mr Deryck Maughan, chief executive of Salomon Brothers.

But for all the White House's efforts to portray the budget as a desperately needed change in direction, Congress has already tinkered with it so much that it has moved back heavily towards the status quo.



An inundated National Guard tanker aircraft at St Joseph waits for the waters of the Missouri to subside. The outlook for the flooded Midwest is improving, with dry weather and federal disaster money both forecast in the next few days, writes George Graham in Washington. The National Weather Service said there were signs the unusual rainfall pattern was breaking up. Congress is expected to complete a relief bill quickly, after the House of Representatives swept aside complaints of mostly Republican budget conservatives. President Bill Clinton has asked the Senate to increase by \$1.1bn the \$2.98bn approved by the House.

Mr Clinton could never quite steel himself to cut some of the most obviously extravagant programmes, such as the space station or the superconducting supercollider. But even some of the wholly outdated subsidy programmes, whose elimination took on symbolic importance in his election campaign last year, have come back from the dead.

The single most specific spending cut in his economic programme was the ending of the subsidy for honey produc-

ers, which is expected to cost around \$30m next year. Yet the Senate this week voted only to reduce the subsidy, which is supposed to ensure that the US has enough bees to pollinate valuable crops.

Also, after taking a courageous stand on ending subsidies to preserve strategic supplies of mohair on Monday, the Senate changed its mind on Tuesday and voted to preserve the programme, which costs around \$48m a year.

These small changes add up

to more than small change, and have made it much harder for budget negotiators to come up with a deal that still meets Mr Clinton's objective of cutting the federal budget deficit by \$500bn from its projected path over the next five years.

Mr Leon Panetta, the budget director, has been left wringing his hands and insisting that some form of energy tax - the most hotly contested element of the package - is essential in order to achieve \$500bn of deficit reduction.

Efforts are under way to craft some form of executive order that would cap future spending on entitlements such as pension and medical benefits, which could be enough to buy off the opposition of Democratic budget hawks.

Nevertheless, administration officials and congressional leaders insist that they will reach agreement on a compromise budget in time for it to be voted through before the summer recess, scheduled for August 6.

Three-month decline reversed
Durable goods orders rise sharply in USBy George Graham
in Washington

ORDERS for durable goods climbed sharply last month in the US, providing some underpinning for more optimistic assessments of the economic recovery.

The Commerce Department said new orders for durable goods rose by 3.8 per cent between May and June, reversing three months of decline.

Although the sharp rise was heavily dependent on a 42 per cent surge in aircraft orders, a particularly volatile segment of the statistics, cars and electronic components also rose.

Transport sector orders rose by 15.1 per cent, the department said, while orders for electronics and electrical equipment went up by 3.3 per cent.

Primary metals orders increased more modestly, and orders for industrial machinery and equipment fell by 1 per cent.

Shipments, however, showed a more evenly spread increase of 2.3 per cent from May to June, with transport equipment up 4.8 per cent, primary metals up 3.5 per cent, and electronics and electrical equipment up 3.3 per cent.

Although figures for earlier months were revised downward, making yesterday's month-on-month increase appear larger, economists noted that durable goods orders were still 6 per cent higher in June than they had been a year earlier, and orders for the first six months of the year were almost 8 per cent higher than in the same period of 1992.

With government spending severely constrained and consumer confidence still shaky, capital investment has been among the principal motors of the solid US economic recovery.

The 10.9 per cent rise in capital goods orders last month largely reflected new aircraft orders, but even if aircraft and parts are excluded, capital goods orders still rose 0.7 per cent in June.

Mozer's plea pact ruled still valid

By Patrick Harverson
in New York

A US JUDGE ruled yesterday that a plea agreement between government prosecutors and Mr Paul Mozer, the former Salomon Brothers trader at the centre of the 1991 Treasury auction scandal, was still valid.

The agreement had been rejected by another judge in January after Mr Mozer's lawyers had clashed with prosecutors over their interpretation of the wording of the document.

Under the terms of the agreement Mr Mozer pleaded guilty to two felony counts of making false statements to US officials about fake bids he had submitted at a February 1991 auction of Treasury notes.

Mr Stanley Arkin, Mr Mozer's lawyer, argued in January that as far as he was concerned the plea ensured that the government could not bring additional criminal charges against his client on possible violations of anti-trust laws.

Federal prosecutors, however, disagreed, and insisted that the plea still left open the possibility of anti-trust charges.

On January 11, Judge Robert Patterson decided that the serious nature of the disagreement between the two sides meant that he could not accept Mr Mozer's guilty plea. Yesterday, however, Judge Pierre Laval ruled that the federal prosecutors could not back out of the original agreement.

The ruling improves Mr Mozer's chances of escaping a jail sentence. If the judge had ruled the plea invalid, Mr Mozer would have faced the four criminal charges, including fraud, that were filed by prosecutors after the plea agreement collapsed. If found guilty, he could have faced a long jail term.

Mr Arkin said yesterday the decision meant the four criminal charges were now "null and void".

NBC pays record sum for Olympics

By Barbara Harrison in Atlanta

NBC, the US television network, has agreed to pay a record \$456m for US broadcast rights to the 1996 summer Olympics in Atlanta, despite losing \$100m on the games in Barcelona. It beat bids of about \$450m from ABC, regarded as the front-runner, and \$415m from CBS.

Mr Billy Payne, chief of the Atlanta committee for the Olympic Games, had hoped for more but said he was "doggone happy" with the NBC bid.

The audience is expected to

be the largest in Olympic history. Mr Dick Ebersol, president of NBC Sports, said he expected to make a profit and was confident enough to offer the International Olympic Committee and the Atlanta one a share of revenues if advertising sales exceeded \$615m.

NBC's bid did not include a cable partner. Turner Broadcasting System, based in Atlanta, declined to put up any money for the rights fee.

The European broadcasting rights were sold earlier this year for \$350m to the European Broadcasting Union.

Delays cast doubt on Brazilian sell-offs

By Christina Lamb in Rio de Janeiro

DOUBTS are growing among Brazilian investors over the authenticity of President Itamar Franco's conversion to the privatisation cause in the face of a series of delays, including the postponement of two sales this week.

All of Brazil's four finance ministers during the 10-month-old Franco government have cited acceleration of privatisation as a crucial policy.

Mr Franco, a former opponent of privatisation, moved to back the policy after realising that supporting the state sector was draining \$10bn (£5.7bn)

a year from the Treasury.

Yet the reality is that while much of Latin America is speeding ahead with bold programmes, Brazil's plans have been grinding to a halt.

Only two companies have been sold this year and eight sales have been postponed, leaving more than 120 companies in state hands. Mr Franco has transferred the power of final approval over minimum price to the Senate, which is expected to add to the delays.

No important companies have been put on the "for sale" list, despite consensus that selling off some of the big parastatals such as Vale do Rio Doce, the state mining com-

pany, would help to plug the fiscal deficit.

One of the main reasons for the slowdown is division within the Franco team. Some ministers, such as Mr Paulo Cícero, the energy minister, while resigned to privatisation as a whole, object to the sale of specific companies.

Mr Daniel Dantas, director of Banco Itau, said: "I think Itamar realises he has no alternative to privatisation but wants the process to be too perfect. He wants to do it in such a way that nice buyers come who pay the government a lot of money and make no layoffs."

Five working groups are studying new measures to speed up the process, make it more lucrative and protect against the creation of private monopolies after privatisation. Direct sales or share offers through Banco do Brasil may replace the current auction method.

Further changes may result from recent congressional approval of legislation allowing private sector concessions to run public services and a lower house vote to lift the 40 per cent limit on foreign ownership.

Some analysts suspect the studies to be deliberate delaying tactics. However, Mr Igor Cornelien, director of Char-

tered West LB in São Paulo, said: "I think they want to privatise but they don't know how to and they don't trust investment bankers to tell them how."

The new rules are expected to be announced in September. In the meantime the delays are not only allowing anti-privatisation lobbies to muster forces, but are also costing the government money.

The sale of the Cosipa steel mill has just been delayed to August 11 at the earliest. The mill is costing the government \$1m a day in debt interest.

The sale of the PQU petrochemicals company was also postponed this week.

NEWS: WORLD TRADE

US trade watchdog displays its mettle over steel

IF SPIRITS were low in Pittsburgh, Pennsylvania - the heartland of "Big Steel" in the US - after the International Trade Commission this week threw out 40 of 72 "unfair" trade complaints on steel, the reaction in Pittsburgh, California, was profound relief.

"I'm thrilled that the ITC voted for free trade and American jobs," said Mr Bill Baker, the California district's congressman, who had warned that a tariff on hot-rolled steel from Korea would have "killed" the state-of-the-art USS-POSCO steel finishing plant there, built as a joint venture between US Steel and the South Korean group Pohang Steel.

The ITC decision to overturn so many provisions of dumping and countervailing duties came as a shock to many. It sent important signals to US steelmakers that they cannot expect protection as they struggle to compete with new technologies and depressed international demand. Tumbling base prices were an eloquent measure of public reaction.

It also sent important signals to foreign governments that the ITC is

By dismissing 'unfair' complaints the ITC has sent a clear signal that it is not a puppet of Washington political lobbies, writes Nancy Dunne

not a puppet of Washington's political lobbies. At a time when the fairness of the US anti-dumping regime is being questioned, it showed the law can and does work more objectively than many like to believe.

Mr Baker's joy at the negative injury finding on the Korean product was shared by many US steel users who feared the duties would damage their international competitiveness.

The country's integrated steelmakers took a dimmer view. Of the 7.8m tonnes of flat-rolled steel covered by the steel industry's original complaints - which were upheld by the Commerce Department in January this year, triggering the imposition of provisional duties - just 3.4m tonnes will now be subject to duties ranging up to 103 per cent.

"It's hard to judge the results as you would a ball game," said Mr Jon Jensen, spokesman for the Coalition of American Businesses for Stable

Steel Supplies, which represents steel users.

The losing users would either have to pay high tariffs on their imports and find themselves uncompetitive internationally or find a domestic source of less satisfactory domestic supplies, Mr Jensen said.

The 12 US steelmakers who filed their allegations of dumping and unfair subsidies last year, after the collapse of international negotiations aimed at a Multilateral Steel Agreement, were glum yesterday. They have poured millions of dollars into legal fees on the cases, and are now considering spending millions more.

"They might appeal against the ITC decision to the Court of International Trade, or bring new cases in the coming months, a spokesman said.

But it was more than steel imports that were on trial on Tuesday when

the ITC commissioners each cast 73 votes, product by product, on whether dumped or subsidised imports were injuring the domestic industry. It was the commission itself on trial, before a world trading community which - misunderstanding the complexities of the US "unfair trade" regime - generally suspects its findings may be politically "fixed" by the administration.

Although many trade lawyers believe the laws are biased towards the domestic industry, the ITC was designed to screen out politics. No more than three of the six commissioners can be of one party; terms are for nine years, and a commissioner cannot serve a second full term.

The commissioners cannot discuss their votes among themselves, and hear each other's votes for the first time when the public does.

Mrs Paula Stern, a former ITC chairwoman, was unsurprised by Tuesday's vote. "The cynicism about the independence of the commission is grossly unfair," she said.

During the vote on Tuesday Mr David Rohr, a Democratic commissioner, addressed accusations that politics played a role in the ITC's findings. "Though there may be differing political persuasions among commissioners, that has no bearing on today's result," he said.

One by one the commissioners described sifting through mountains of evidence - 25,000 pages of questionnaire responses, and 61 volumes of briefs - and the factors they had to assess in reaching their decisions.

Ms Janet Nuzum, a Democratic commissioner, said: "The fact that different commissioners have decided differently in particular products or particular countries is a

reflection of the variety of factors we must consider, the extensiveness of the evidence, and the complexity of the record."

Ms Carol Crawford, a Republican commissioner, caught the mood of most when she said she believed a small amount of imports were "unlikely to have an adverse effect on the domestic industry's market share price or revenues". But where the import penetration was significant, she voted for injury.

The way is now clear for negotiation of a Multilateral Steel Agreement, where, according to Mrs Stern, "negotiators had their hands tied because they had the dumping cases pending". Still, she warned, the MSAs "must not be seen as nirvana" because it will deal only with steel subsidies, and thus dumping, in the future.

"We still have a raging debate in the Uruguay Round on how the dumping laws should operate," she said, adding that the US anti-dumping regime still failed to recognise the needs of steel users whose exports must compete abroad.

Intracom's Russian gamble pays off

By Karin Hope in Athens

IN THE two years since Intracom, the Greek telecoms and information systems manufacturer, set up automated "lotto" games in Russia, its blue and yellow kiosks have sprung up in more than 130 Russian cities.

Olympic Lottery, a \$15m (£10m) joint venture with the Russian Olympic Committee, was the first in a series of deals with state-controlled lottery and sports organisations through which Intracom aims to position itself as a telecoms supplier to eastern Europe.

Next month the Romanian state lottery system will launch a lotto game designed and installed by Intracom, and by the end of the year similar games should be operating in Bulgaria, Ukraine and Moldova. Kazakhstan will follow in 1994.

Mr Constantinos Antonopoulos of Intracom, the lottery subsidiary of Intracom, said: "We have to take a flexible approach to this market because we can't compete with the international telecoms companies on large government contracts. But we have other projects from rural telephone networks to information systems for banks where negotiations are well advanced. In the meantime, we're traders as well."

Intracom, in which Ericsson of Sweden holds a minority stake, sets its initial investment in eastern Europe and the former Soviet Union at \$70m. The joint ventures should start to show a profit within two years.

Intralot spends part of its rouble income on consumer goods - from cosmetics to disposable razors - which are sold at the kiosks where lotto players hand in their coupons.

The joint venture has also become a distributor for Reynolds of the US, selling cigarettes through its 3,000 outlets.

Intracom based the "Lotto Million" game on games developed for the Greek and Cypriot state lottery and football pool systems. With a first prize of \$841,40m the weekly draw, shown on television, is one of Russia's top programmes.

Sutherland injects new urgency into Gatt talks

By Frances Williams in Geneva

THE director-general of the General Agreement on Tariffs and Trade, Mr Peter Sutherland, called yesterday for greater urgency in negotiations on concluding the Uruguay Round of trade liberalisation talks by December 15.

Addressing the top-level trade negotiations committee, he said the work done in the past two weeks on opening markets for goods and services had been useful. But he urged countries to come forward quickly with more concessions. Mr Sutherland later told reporters: "On balance I am more optimistic [than two weeks ago] but there are serious risks to the Round."

The global trade talks in Geneva restarted earlier this month after the US, the EC, Japan and Canada agreed a deal to reduce or eliminate tariffs on 19 categories of goods. However, the latest talks have underscored the gaps in that accord and the problems caused by interlinking different elements of the package.

THE SUTHERLAND AGENDA

August: countries prepare market access offers.

Aug 31: next Trade Negotiating Council meeting.

Sept 1: submission of revised offers on bringing services industries under Gatt rules.

End-Sept: TNC session.

Oct 15: substantive stock-taking meeting of the Uruguay Round's Negotiating Group on Goods.

Nov 15: submission of agreed changes to tariff schedules.

Dec 15: deadline for Uruguay Round agreement.

principle of more favourable treatment for poorer nations was being disregarded, and made clear that market access concessions from them on goods and services would depend on offers from industrialised nations on commodities, agricultural goods and textiles.

Mr Sutherland called on countries to break the logjam by making conditional offers, and said he would be holding consultations on how best to uphold the objective of more favourable treatment for developing nations. Warning of the "vast amount" of work needed before the rules could be finalised, he urged countries "to exercise maximum self-restraint" in proposing changes to the draft text, drawn up in December 1991.

The TNC has agreed a tight negotiating schedule in its drive to achieve "substantial and concrete progress" in the market access talks by mid-October. The negotiating group on goods will meet on October 15 for "stocktaking", aimed at completing detailed draft schedules a month later.

Revised services offers have been requested by September 1, paving the way for intensive negotiations on liberalisation commitments.

Mr Sutherland plans immediate consultations on technical aspects of the rules package, including dispute settlement and the proposed Multilateral Trade Organisation.

Ruling against US steelmakers draws a mixed response
EC sees opening for new regime

By Our Foreign Staff

THE CASE for a new Multilateral Steel Arrangement has been strengthened by the US International Trade Commission's largely favourable ruling this week against big US steelmakers. EC officials said yesterday.

Relieved that the ITC had discarded many of the complaints against foreign imports, the European Commission said it was time to reach agreement on a new regime which prohibited state subsidies, eliminated tariff and non-tariff barriers, and included a "disputes mechanism".

Officials suggested the US had been delaying support for an MSA agreement until the outcome of the ITC case.

In 1991, EC steelmakers exported about 4m tonnes to the US. The US Commerce Department imposed preliminary countervailing duties on about 1.9m tonnes earlier this year, the ITC ruling reduces the total subject to duties by 50 per cent.

The EC officials said a key factor was that the ITC ruling removed many prohibitive

duties, making an improvement in US market access more likely. Thus, German exports of corrosion-resistant steel remained subject to duties, but only at a level of about 5 per cent which was not necessarily a deterrent to selling in the US.

Mr Günter Rexrodt, Ger-

a new Multilateral Steel Agreement. Talks on an MSA are set to resume in Geneva in autumn.

Japanese steelmakers face duties of 40.19 per cent on corrosion-resistant sheet, which accounted for less than 4 per cent of steel exports to the US last year.

Manufacturers said they planned to increase production at their US joint venture mills to minimise the impact.

Industry officials said the decision could affect the relationship between US and Japanese steel companies, which have invested heavily in American steel mills, entered into joint ventures and provided technology in an effort to shift to higher value added exports.

many's economics minister, and the German Steel Federation yesterday joined forces to denounce the ITC's ruling as discriminatory.

The ruling would impose anti-dumping duties of between 5.47 and 50.17 per cent on corrosion-resistant products, cut-to-length plates and

could rolled plates, Mr Rexrodt said. Officials at the economics ministry said it was felt the ruling affected German companies more severely than steelmakers in other countries.

France gave a qualified welcome to the decision, with Mr Gerard Longuet, minister for industry, post and telecommunications, saying it represented a "three-quarters victory" in an issue which had "poisoned relations between the US and the EC".

To the extent that a "disastrous" outcome had been avoided, the ruling would have a positive effect on the Uruguay Round of world trade talks in Geneva, he added.

However, Unisior Saelor, the French state-owned steel producer, protested against the anti-dumping and anti-subsidy duties upheld on corrosion-resistant products.

Economic optimism aids auction • Bundesbank cut may ease UK policy

Government gilts sale raises £3.25bn

By Peter John

THE British government successfully raised £3.25bn at its latest gilts auction yesterday as conviction that interest rates need to fall further and inflation will remain low attracted strong demand.

The amount raised, through offering 7 per cent stock maturing in 2001, matched the record sum achieved only four weeks ago and takes the government half way through its borrowing programme only four months into the financial year.

The cover - the ratio of bids to offers - at the Bank of England's auction was 2.29, confounding the pessimists who had expected a cover

between only one and two times.

More significantly, bidding was so tight that there was no difference between the average accepted price of 97.06, giving a yield of 7.46 per cent, and the lowest accepted bid price.

Mr Roger Bootle, economist with Midland Global Markets, said: "The auction went incredibly well. There was a worry that it could be a flop because the maturity was a bit odd but the CBI survey and the news from Europe could not have come at a better time."

Underlying gilt prices jumped sharply with the auction, rising 1/2 point. In the more liquid futures market,

the 10-year contract for September delivery shot up more than a percentage point before investors started to take profits.

Market analysts had been worried beforehand about whether there would be sufficient demand because of the seemingly strange choice of maturity.

Stocks, which in eight years does not have a natural investor target as UK banks and building societies prefer gilts expiring in three years while overseas buyers favour 10-year maturities which fit well with their own 10-year benchmark bonds.

UK pension funds favour very long-dated maturities

such as the 2017 stock to match their liabilities.

The CBI quarterly regional survey, published on Tuesday, called for a further cut in base rates to kick-start an economy which is still bumping along the bottom.

The appeal by the employers' organisation received further impetus from the recent turmoil within the European exchange rate mechanism, which has prompted growing conviction that continental rates have to fall further if the ERM is to survive and are bound to be cut if the ERM crumbles.

News that the Bundesbank eased its repurchase agreement rate, paving way for probable

cut in its official discount rate today, also helped the auction.

Whatever happens it will be easier for Mr Kenneth Clarke, chancellor of the exchequer, to ease UK monetary policy. Also, the CBI reported that there were still more jobs to go in the manufacturing industry and a rise in unemployment removes the inflationary pressure of higher wages and benefits longer dated gilts which respond to low inflation.

The last £3.25bn auction, a month ago, was covered only 1.1 times, after the market's appetite was dulled by a strong rise in gilt prices and several small taps.

News that the Bundesbank eased its repurchase agreement rate, paving way for probable

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Britain in brief



Tory party braced for election loss

Britain's ruling Conservative party is bracing itself for a parliamentary by-election defeat today in the coastal town of Christchurch, where supporters are expected to desert the government in favour of the centrist Liberal Democrats following weeks of political turmoil dominated by the row over the Maastricht treaty.

Party workers, however, claimed that a significant proportion of voters canvassed were still wavering, and the size of the expected anti-Tory swing remained uncertain.

Sir Norman Fowler, chairman of the Conservative Party, insisted that the recent signs of economic recovery should persuade voters to remain loyal.

Unwilling to predict a landslide victory, Mrs Diana Mordaunt, the Liberal Democrat candidate, said: "I believe that it is not as good as everyone says. When people get into the ballot boxes they do not always do what people were telling you - I have seen it slip away before."

Wave of US investors 'likely'

A large US bank is expected to lead a fresh wave of US inward investment projects in the UK which together could create more than 2,000 jobs, according to Mr David Hunt, secretary of state for employment.

Mr Hunt, who is touring the US looking at training schemes and talking to companies about UK investment, said Britain's "opt-out" from the Social Chapter of the Maastricht Treaty was contributing to "record" investment from US companies.

He said that three out of 10 companies he has visited have definitely decided to invest in Britain, including the US bank which will be creating about 1,000 jobs in the London area.

Date set for gas report

The conclusions of the Monopolies and Mergers Commission reports on the gas industry will be published on August 17, the government announced. The commission could recommend breaking up British Gas as a way of encouraging competition in the market for household supply or it could opt for the status quo.

Christies sales rise by 16%

Sales at Christie's International, the fine art auctioneer, rose by 16 per cent, to £883m, in the 1992-93 season which ends this month. But in dollar terms (major works of art are valued in dollars) the gain on the year was just 1 per cent, to \$1,068m.

The US is leading the art market out of the recession: sales in New York were up 28 per cent.

Court decision on Maastricht

The result of Lord Rees-Mogg's High Court bid to block ratification of the Maastricht Treaty will be known tomorrow. Whatever the decision, the case, which Lord Rees-

Mogg has described as the "most important constitutional case for 300 years", is expected to go to the Court of Appeal. The government has undertaken not to proceed with ratification until the court case has finished.

Joint venture for UK lottery

Carlton Communications and Associated Newspapers, publishers of the Daily Mail and the Mail on Sunday, are about to join the Granada-led consortium planning to bid for the licence to operate the UK's new National Lottery.

An announcement that the consortium, The Great British Lottery Company, has been strengthened by the addition of two of the UK's leading communications groups is expected today.

Countryside 'lost to sprawl'

One-fifth of England's countryside will have been lost to urban sprawl by 2050 if development continues at the rate of the past 10 years, the Council for the Protection of Rural England said.

Mr Tony Burton, senior planner at the CPRE, said 15 per cent of England is currently covered by towns and cities. He called for stricter planning laws to protect the countryside as an aesthetic and economic resource.

Atherton named test captain

Mike Atherton, the 25-year-old Lancashire batsman, has been named captain of England's national cricket side to take over from Graham Gooch, who resigned on Monday after the crushing defeat by Australia in the fourth Test at Headingley.

Independent publishers to meet as sales slump

By Raymond Snoddy

THE BOARD of Newspaper Publishing, publisher of The Independent and the Independent on Sunday, meets today amid a growing sense of crisis over falling sales and financial uncertainty.

Mr Andreas Whittam Smith, the founder of The Independent, will offer his resignation as chief executive to concentrate on developing the papers and his role as editor.

There is also likely to be a debate over a controversial business plan which will be submitted to the meeting.

The plan suggests raising a great deal less money than was widely expected - £1.5m for the daily paper and £1.5m for the Sunday.

This will have to pay for the introduction of colour printing, the launching of new sections and promotion of the titles. There are fears that the sum may be inadequate to meet the intensified competition expected in the autumn from The Times and from a re-launched Observer, now owned by The Guardian.

The two main shareholders of Newspaper Publishing, El Pais of Spain and La Republica of Italy, who own 18 per cent each, have made it clear they are prepared to invest substantial sums and take their stakes up to 25 per cent each through a rights issue. They are likely to be unhappy about what is being planned.

The £3m proposed in the new business plan could be largely raised through borrowings and cost cutting, thus leaving the present shareholding structure intact. This would leave control still in the hands of Mr Whittam Smith.

Although sales of general broadsheet newspapers have been falling over the past few months the Newspaper Publishing titles have been particularly badly hit and their circulations have dropped month after month.

Between March and June the circulation of The Independent fell from 354,178 to 338,823. In April 1992 the circulation stood at 389,523.

The Independent on Sunday, which in October 1992 had a circulation of 425,803, had dropped to 387,511 in March and 376,869 by June.

A number of senior staff believe urgent action is needed to avoid a growing crisis and question whether £3m is enough to turn round the newspaper.

Police chief says planned reforms could be diluted

By Alan Pike, Social Affairs Correspondent

SIGNS of government compromise over controversial police reforms emerged yesterday when Mr Paul Condon, the Metropolitan Police commissioner, said he was "confident" some of the recommendations of the Sheehy report would not be implemented.

Mr Condon, Britain's most senior police officer, said he expected consultations over the next two months to produce a package of changes on pay and conditions which would be in the public interest and fair to police officers.

The comments of the commissioner, who has frequent contact with Mr Michael Howard, home secretary, reflect a growing feeling among police chiefs that the government will be prepared to dilute or abandon some of the more far-reaching aspects of the Sheehy report.

The report, drawn up by Sir Patrick Sheehy, chairman of BAT Industries, recommends fixed-term contracts, performance-related pay, the abolition of three ranks and changes to starting rates, overtime and pension arrangements.

Mr Condon, speaking at the publication of the Metropolitan Police annual report, said the police service had to be modernised, and he believed it was already at the forefront of change in the public sector.

Much of the analysis by Sir Patrick and his committee was good. But the report's recommendations for constables and sergeants were flawed and not in the public interest.

He identified recommendations for short-term contracts, a £2,000 a year reduction in starting salaries and pension changes as proposals that would undermine rank-and-file officers.

The police service, Mr Condon said, faced an unsettling time and he did not want it to spend the next two years worrying about pay and conditions. "The sooner we can get settled down with a sensible package the better."

Mr Howard, who is holding talks on the Sheehy proposals until September, is almost certain to press ahead with fixed-term contracts for senior officers. But chief constables argue that the committee's proposal to put all ranks on 10-year contracts, subsequently renewed every five years, could discourage high-quality recruits from joining the police.

Many senior officers are reconciled to the introduction of performance-related pay, but regard the Sheehy report's proposed approach as too mechanistic.

Graduates told - Brussels needs you

By Alison Smith

DO YOU know who wrote the Migrant Workers? Which rock star died of AIDS in 1991? How many people live in the European Community?

If you answered correctly, are a graduate and a British national under 35, the UK government needs you to work at the European Commission.

The government is launching a campaign to export administrators to Brussels. In an unlikely alliance, both Britain and the Commission have agreed there should be a greater UK representation among the Eurocrats.

At present, the UK holds about 11 per cent of administrative jobs at the Commission, some three or four per cent

less than Britain should have, on the basis of its population.

The initiative is aimed at familiarising British candidates with the selection procedure, and emphasising the attractions of working for the Commission - such as the starting salary of £31,000.

Officials insist the tortured debate over Maastricht has, if anything, drummed up interest in Europe, and emphasise there is no test to weed out Euro-sceptics.

Two thousand British candidates applied last year, but the UK now has just 16 candidates in the EC-wide pool of 250 waiting for a specific posting. France has almost one-fifth of the successful candidates, but it is Italy, with 64, which is poised to dominate.



Paul Condon yesterday: parts of reform plan are 'flawed'



Statue in the Forbidden City, Beijing

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our partner organization, CS First Boston Group, Inc., we have firmly established ourselves as one of the world's foremost international financial services groups. As a global provider of Swiss quality, Credit Suisse is second to none.

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German recycling crisis prompts concern in UK

Bronwen Maddox on the future for waste projects

THE spectre over the government's new packaging recycling moves, announced this week, is a similar German scheme launched two years ago.

Mr John Elkington, director of Sustainability, an independent environmental consultancy, says: "A few years ago I would have welcomed this move wholeheartedly. In the wake of the [German] experience I am concerned that the simple setting of ambitious targets is only a small part of what needs to be done."

The crisis in the German waste recycling scheme, the Duales System Deutschland (DSD), came to a head last month when it tottered on the edge of bankruptcy before being propped up at the last minute by industry funds.

Even so, a mountain of waste - particularly plastics - is still threatening to overwhelm German towns. The country's recycling capacity has not kept pace with people's taste for fill-

ing the scheme's yellow sacks with carefully sorted rubbish, while demand for recycled material has been much less than expected.

The effects are spilling over into other countries. Mr Cameron McLatchie, chairman of British Polythene Industries, one of Europe's leading makers of polythene film, says this year the price of imported black film to cover silages had dropped "through the floor" to around 250 per tonne - about half the cost to him of collecting it from farms for recycling.

Ms Jane Bickerton, technical director of the Industry Council for Packaging and the Environment (INCPEN), adds: "Several recycling firms have gone out of business in the past six months because German waste is offered here." Without those "repercussions" from Germany, the packaging industry "could certainly achieve 50 per cent recycling by the year 2000".

Mr Peter Hindle, an associate director of environmental at Procter & Gamble, is also concerned at rising costs. P&G's use of recycled plastic for detergent bottles "currently does add to costs", and was no longer a competitive advantage as "everyone's doing it". Consumers were now interested in refillable bottles and other measures that reduced the amount of packaging, he adds.

Some industrialists and environmental consultants have also questioned whether the proposals could, ironically, be damaging to the environment because of the extra transport needed to collect the rubbish, and the energy used in recycling it into usable material.

Mr McLatchie claims that, when it comes to household waste, "after you wash it and transport it, the cost of getting it back in environmental terms is greater than any benefit. And do you actually see the British consumer washing up used frozen pea bags?"

Cinema / Nigel Andrews

All-action Arnie gets metaphysical

It is Mayday time in the media and movies. Major feckings are happening between monitored make-believe and rebel reality. Designer dinosaurs turn into ravens; beasts; Conservative prime ministers slip into off-the-beaten-path; and Arnold Schwarzenegger falls out of the cinema screen into the real world of crime-ridden New York.

In today's pop science jargon they call it Chaos Theory. *Last Action Hero*, starring the aforementioned Austro-American hulk, confirms what Hollywood's *Jurassic Park* and British TV's "Bastardgate" have just hinted. That in today's hi-tech age the best-laid plans of mice and men, scientists and politicians, are powerless to paper over the cracks between parallel worlds and the slippages between design and denouement.

But when does show business fail to come up with a "but"? — one can always make a new art form from the debris of the old. *Last Action Hero* is a metafiction for the popcorn set. Spoof mixed with pastiche wrapped in homage, it tells us what happens when fictional Los Angeles cop hero Jack Slater (Schwarzenegger) is joined inside his latest film by movie buff Austin O'Brien, propelled into the screen by a magic ticket stub. (It once belonged to Houdini).

Several adventures later, Slater repays the interdimensional visit by crashing into the boy's native New York. So does the film-within-a-film's villain Charles Dance, a white suit with a beard and braying RADA accent. And so does the armoury of stunts and special effects assembled for this \$50m blockbuster directed by John (Die Hard) McTiernan.

If I tell the plot in detail, you will go mad. It involves the usual foreboding of fastlights, car chases, shoot-em-ups and hand-me-down tough guy dia-

logue. What lends variety this time is the background. Cliches are pilloried by context. In one scene the boy, watching Olivier's film of *Hamlet* in school, daydreams a gun-toting parody version with Slater-Schwarzenegger as the Dane. ("To be or not to be" — "not to be!" as Elsinore explodes around him). And throughout the movie reality slides around in continuous flux, lubricated by ludic jokes. The hi-tech police station is none other than Columbia Pictures' own palatial lobby; the schoolmistress teaching *Hamlet* is none other

LAST ACTION HERO (15)

John McTiernan

DENNIS (PG)

Nick Castle

CHAIN OF DESIRE (18)

Temistocles Lopez

JUST ANOTHER GIRL ON THE IRT (15)

Leslie Harris

than Lady Olivier; and every other guest star carries his own movie-referential hand luggage. From FBI agent F. Murray Abraham ("He killed Mozart") to a roaring, grunting Anthony Quinn, capping all for this amiable, untidy, over-long film. It bears all the signs of a committee-born brainwave, with its cross-generational casting and keep-em-awake piling of disparate incidents. But *Last Action Hero* also comes closer than any Hollywood film I have seen to a deconstructionist primer on how to "read" popular cinema. No sooner does the film perpetrate twaddle than it comments on it and disarms it. As the clichés line up for frisking — from the

statutory hero's catch-phrase ("Beeg mistake!") to the one-man arsenal of weaponry Schwarzenegger wears about him — we realise that this is that rare and dangerous animal, a self-aware Hollywood action movie. What ever next? *Star Trek VII: The Intertextual Zone? New Readings In Hamlet? Where Eagles Dare? Hang on to your hats. Post-modernism may be coming to the picture show.*

No sign of it, though, in *Dennis*. The only segue between these two American romps is Joan Plowright. New York schoolmarm here becomes Illinois housewife — both played with a majestic indifference to accent — and the teaming of Lady Olivier's chubby aloofness with Walter Matthau's bloodhound-faced dyspepsia is the chief inspiration in this manic-child comedy scripted by John (Home Alone) Hughes.

Based on the American newspaper strip-cartoon "Dennis The Menace" (no relation to the UK version), the movie jitters along from jape to jape as 10-year-old Dennis (Mason Gamble) sabotages false teeth, pours paint into barbecues, catapults aspirins into grown-ups' sleeping mouths, wrecks prize-winning gardens and makes life hell for his parents and next door neighbours (Matthau/Plowright).

Master Gable is clearly cloned from Macaulay Culkin — Hollywood's latest DNA experiments long before *Jurassic Park* — and he goes through a near-identical repertoire of fluttering eyes (mock innocence), gaping mouths ("Register shock now, Mason!") and whoops of delinquent triumph. The film climaxes in a long, witless re-run of the boy-versus-burglar brutalities of *Home Alone*, with Dennis subjecting footpad Christopher Lloyd to ordeal by bonfire, baked beans



Hamlet as beefcake Schwarzenegger meets Shakespeare in a "Last Action Hero" dream sequence

and near-drowning. But before that there are moments of brighter, sorer hilarity: especially when Matthau clumps into view, his jowly asperity lighting up the screen like a sodium flare, his sial twang sending simple lines thudding to their comic target.

Chain Of Desire is *La Ronde* done on the cheap in New York, and as resistible as that sounds, Venezuelan-born writer-director Temistocles Lopez daisy-chains 12 tales of love and lust, their linking characters played by a midlife magnitude cast including Malcolm McDowell (gay writer), Linda Fiorentino (sultry chanteuse), Elias Koteas (stud repairman), Seymour Cassel (action painter seeking extramarital action) and Assumpta Serna (action painter's wife seeking ditto).

The press show audience was prone to incredulous mirth: as who would not be

when presented with the movie's dim dialogue, gauche camerawork and po-faced procession of soft-porn encounters. The organic transports of a shoe fetishist; acts of sex atop a still-wet artist's canvas; simultaneous masturbation by three window voyeurs... but no, enough. You might want to see the film and make your own choice between giggling and giggling. The wackiest touch, I thought, was the coffee-table book entitled "Deconstruction" placed dangerously near one energetic daytime coupling. Was this a comment on what might happen to the coffee table? Or is it part of the movie industry's marching orders for a New Cerebralism?

Just Another Girl On The IRT is no less ill-fused but more strident: the tale of an unmarried black girl from Brooklyn who gets pregnant, rails against fate, screams at her boyfriend, refuses to have an abortion and ends up devel-

oping that nastiest of pre-natal symptoms: talking to the camera. (Deserted by everyone, she has only the audience to heckle.) Debut director Leslie Harris is the first African-American woman to have a film distributed in the UK. One applauds the breakthrough, but not the whingeing one-note movie.

Elsewhere — and we warned you about the summer silly season — the choice is between *Liquid Sky* (18, ICA) and a season of Ealing comedies at the Barbican. The first is a 10-year-old cult sci-fi fantasy about aliens cannibalising drug- and sex-crazed New Yorkers. The second is a time trip back to the dear old days when sex had not been invented. New York was on another planet and Britain was a comic cosmos unto itself. We have seen them all before — *Whisky Galore*, *The Lavender Hill Mob*, *The Ladykillers* — but in a week like this there are worse fates than seeing them all again.

Kuhmo Festival / David Murray

Warmth in the frozen north

West of the Russian border and just below the Arctic Circle, the Finnish town of Kuhmo boasts 13,000 souls and more than 600 lakes. In the ordinary English sense of "town", only slightly more than half the population lives there, with the rest scattered amid 5,500 square kilometres of Kalmau wilderness. Kuhmo "town" was badly hit in the last war; nothing of distinction remains to it but its fine, spacious wooden church from the last century — and the beautiful Northern lakescape.

For no fathomable reason, the cellist Seppo Kimmunen decided to found a "Kuhmo Chamber Music" festival there in 1970. (The locals were bemused; many of them still are.) It has become one of the world's happiest music festivals, as this year the 24th festival confirmed again, in spite of carnivorous mosquitoes. Outside of Scandinavia not many people know that, except for musicians; and it would be self-defeating if many more did. There is a magic formula, as it happens, though it is flexible enough to be re-interpreted every year, and may anyhow be unfeasible anywhere but in Kuhmo. It goes something like this:

From many countries, invite the keenest, most musically chamber-players available, including full-time ensembles such as the Lindsay Quartet (Kuhmo regulars) but also established soloists whose careers leave too little space for chamber music except in their holidays. For deservatory fees but superior rewards, let them deliver their best party-pieces, individually and plurally, but insist also that they work with newly-met colleagues on fresh performances of music old and new. Further, some will be teaching and/or running master-classes for the

"Music Camp" of student talent from around the world.

Shape all that into a programme with some coherent themes: this July, we had all Mozart's and Boccherini's quintets, Haydn piano trios, a survey of recent Icelandic music, Austro-German and French classics, old and new music from Japan (Kimmunen's wife is Yoshiko Arai, leader of his Shibubai Quartet). Add some premieres, some *recherché* rediscoveries and some pieces for odd ensembles. Make it all so intensive, with music practically round the clock, that the idyllic simplicity of the place will be the perfect restorative. The marathon Saturday night concert — "night" is the wrong word — are still going on while sunset merges into sunrise. Nobody dresses up, neither artists nor the audience.

It is a rare, illuminating pleasure to hear first-class musicians working out ideas and responding to each other, so to speak, on-the-spot. If something does not work, no harm done: no reputation endangered; contrariwise these performances can strike brighter sparks, again and again, than stuff polished for the international circuit. It is a boon to have such artists to introduce the unfamiliar pieces, too, which may never have enjoyed playing of this calibre.

This year, for example, the flautist Philippa Davies, the clarinetist Michael Collins and the cellist Robert Cohen from Britain, Stephen Burns brought his trumpet from America, and the pianists Christian Ivaldi and Philippe Cassard were on hand to ensure strict faithfulness to French style (the Franco-British collaborations in Poulenc were splendid). More about all this in the Weekend FT, especially about Kuhmo's wonderful new concert hall.

Opera in Munich / Andrew Clark

Lament for a lost warrior

A youth barely out of his mother's arms rushes off to defend his people in war, has his first taste of sexual love, heads into battle and is slaughtered. Germany 1914? Britain in 1939? Bosnia today? It could be any — but all are wrapped into one in Siegfried Matthäus's *Die Weise von Liebe und Tod des Cornets Christoph Rilke* (Cornet Christoph Rilke's Song of Love and Death), which has just joined the repertoire at Munich's Gärtnertheater and will receive its British premiere in early October during Glyndebourne Touring Opera's London season.

Matthäus, born in 1934, had his talents honed by a long association with the Komische Oper and is now enjoying belated international recognition as one of Germany's most skilful, performable composers. *Cornet Rilke* is the sixth and most successful of his eight operas. Commissioned for the reopening of the Semper Opera House in Dresden in 1985, this 90-minute "operatic vision" is based on Rainer Maria Rilke's prose poem about his 17th-century ancestor, a young cavalry officer who died defending

Europe against the heathen Turkish hordes. A copy of the poem accompanied German soldiers heading for the 1914-18 front, to inspire them with visions of a glorious death in defence of the Fatherland. Rilke later tried to disclaim this interpretation, saying his poem symbolised the way youth sheds its innocent bloom in the explosive breakthrough to adulthood.

Without undermining the dream-like mood of romance, Matthäus turns the poem into an anti-war elegy, framing it with an *a capella* Dies Irae inspired by the Allied destruction of Dresden. The poem itself offers little in the way of conventional dialogue or narrative. What it does provide is a sequence of thoughts, feelings and impressions, which Matthäus clothes in music of lyrical power and dramatic sensibility.

Horn, timpani and side-drum invoke the marching rhythms and regimental call to arms, while a flute quartet, two harps and xylophone summon the atmosphere of reverie, augmented by a mirage-like offstage chorus (reminiscent of the hallucinatory echoes of

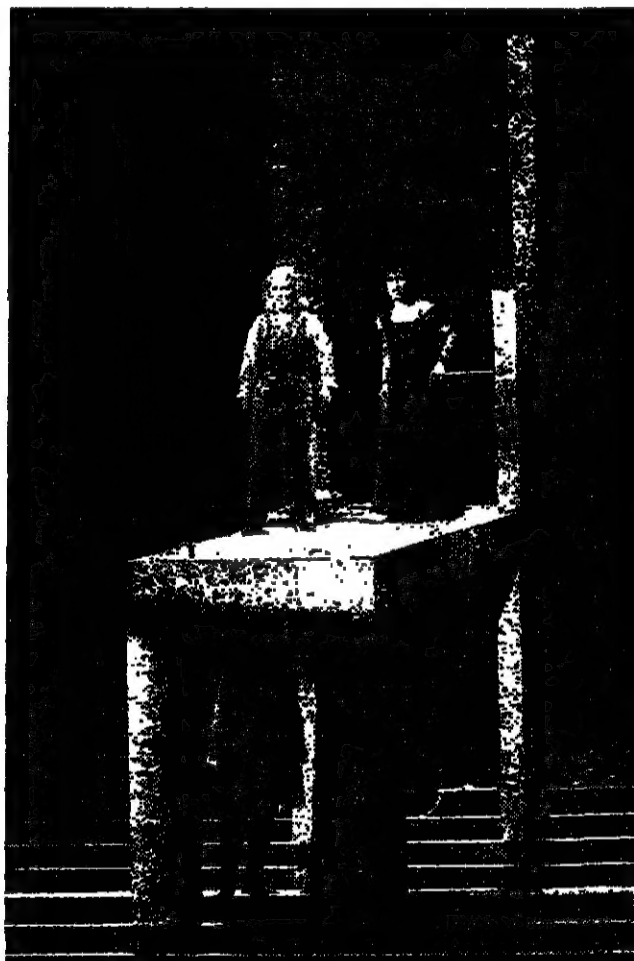
"Grimes" in the final act of Britten's opera). The range of imagery Matthäus draws from his 11 instrumentalists is wide — and even wider in the intricate choral parts, requiring absolute security of pitch and balance. With his undogmatic brand of serialism, subtly neoromantic in effect, Matthäus matches the emotional power of the poem without dissolving into kitsch.

The Munich production, staged by Heino Lukas-Kindermann in designs by Hans Höfer and Anette Schröder, was well sung and acted, but sometimes missed the mark in its choice of visual imagery. The performance began with a projection of the autograph of Rilke's poem and the appearance of a small boy with rocking horse and top-banner; an unidentified man took a book out of his pocket and began to read. The action unfolded on a stage-wide staircase, populated by a row of outside infantry boots in the opening march, a troupe of debauched revellers in the bacchanale, and visionary figures appearing from hidden doors during the Cornet's contemplative soliloquies. A giant

upright chair dominated the mysterious love scene, which lacked dramatic focus. The finale, in which the Cornet awakes in a blazing castle before riding to his death, was mimed in an abstract glow of red light.

In the title role — a breeches part shared by two mezzoes, one of whom gives voice to the Cornet's inner thoughts — Annette Seifgen and Snezhinka Avramova sang beautifully and movingly. The Countess, which Matthäus divides less convincingly between two sopranos, was elegantly portrayed by Evelyn Holzschuh and Ulrike Steinsky. Above all, the chorus-master Hans-Joachim Willich and conductor Aleksander Kalajdzic deserve praise for their grasp of Matthäus's idiom.

So I enjoyed my visit to Munich's second opera house where high standards can be appreciated at a fraction of the cost of the starry-cast but sometimes barely-rehearsed festival performances across at the National Theater. The Gärtnertheater's repertoire is refreshingly offbeat (with *Well's Street Scene* also on this month's programme), and the building itself is a jewel.



A scene from Cornet Christoph Rilke's Song of Love and Death

Jazz / Garry Booth

Melodic journey

Thirty years' worth of understated and carefully nurtured tenor playing produced the Grammy-winning Joe Henderson in full bloom at London's Queen Elizabeth Hall on Monday. A difficult personality, usually wreathed in cigarette smoke, Henderson's restraint and lack of bluster has kept him out of the headlines; but in the best musical company since his early years with Kenny Dorham and Horace Silver. A new label deal and a series of well-conceived discs which diffuse the polished melodies of Billy Strayhorn and mellow the cool loneliness of Miles Davis brought him blinking into the spotlight last year.

At a time when young saxophonists are expected to make their mark through sonic attack, Henderson leaves a deep and lasting impression through his sonorous, considered interpretation. Backed by the talkative upright bass of Dave Holland and the bright, skittish drumming of Al Foster, the Henderson tenor ripens before your ears.

Proceeding from Strayhorn's "Lafayette" a melodic picture sensitively built up, "Take The 'A' Train" introduced gentle

harmonic embellishment and a choppy "Lush Life" even produced the odd skiff from the reed. Typically, Henderson's development of these seasoned works took on the manner of a journey to an unknown destination with pauses on the way to savour the melody. The conclusion of each number is reached unwittingly but naturally. Diversions created by thrumming, fret-satting solos from Holland or good-humoured polyrhythms from Foster, are carefully measured — Henderson's own excursions rationed to not overwhelm the ear.

The saxophone trio must be one of the most testing formats for the concert hall, for all concerned. It is a tribute to the Joe Henderson trio's musicianship that their tunes hang in the air, without his, to be savoured in all their richness, with neither introduction nor explanation needed. The group's fine volume balance, Henderson's magisterial lead, deep sensitivity to the music, and each other's involvement in it, now set the standard for small groups of any instrumentation.

Sponsor: Marantz.

INTERNATIONAL ARTS GUIDE

BATIGNANO

The second of this summer's productions at Adam Pollock's intimate, outdoor opera festival, *Musica Nel Chiostro*, is Bernstein's *Candide*: six performances between Aug 7 and 15 (0564-38066).

BREGENZ

The opera festival on the Austrian corner of Lake Constance continues to solidify its connection with front-rank British producers. Jonathan Miller's new staging of *Fedora*, with Mera Zampieri in the title role, can be seen tonight, Aug 1 and 5. David Pountney's production of *Nabucco* on the floating stage continues with four or five performances each week (and changing casts) till Aug 22. This year's concerts are conducted by Rafael Frühbeck de Burgos, Pinchas Steinberg and Donald Runnicles (05574-4920 224).

DROTNINGHOLM

Elisabeth Söderström, much-loved

Swedish soprano, has taken over as artistic director of the world's most important 18th century theatre still in action. This year's performances include *Una cosa rara* by Mozart's Spanish contemporary Vicente Martín y Soler (conducted by Nicholas McGegan) and *Figaro*, a ballet-pantomime after Beaumarchais, choreographed by Ivo Gramer with anonymous 18th century music arranged and conducted by John Lanchbery. Ends Sep 4 (08-660 8225).

EDINBURGH

This year's festival (Aug 15-Sep 4) includes performances of Janacek's first opera *Serika* and three Verdi operas (*Oberto*, *I Due Foscari*, *Falstaff*), an exhaustive survey of the work of young Scottish composer James MacMillan, and several Schubert recitals. The drama programme includes Peter Stein's 1992 Salzburg Festival production of Shakespeare's *Julius Caesar*, a modern Aeschylus production by Peter Sellers, and the Bob Wilson/Gertrude Stein theatre piece *Dr Faustus Lights the Lights*. The dance programme is limited to Mark Morris' troupe and the Bill T. Jones troupe (Official Festival: telephone bookings 031-225 5758, 24-hour information service within UK: 0891-600 304. Military Tattoo: 0891-225 1188. Fringe: 031-226 5257).

LUCERNE

This year's programme, opening on Aug 14, focuses on anniversary celebrations of Tchaikovsky and Rachmaninov, with Alfred Schnittke

as the festival's first-ever composer in residence. Visitors from Russia include the Bolshoi Opera Orchestra and Chorus, the St Petersburg Capella Choir and Orchestra and the Russian National Orchestra. There will be a Rachmaninov piano marathon with Barry Douglas and others, the world premiere of a new work by Edison Denisov and a Schnittke ballet programme. Visiting orchestras include the Berlin, Vienna and Oslo Philharmonics, with artists ranging from Yuri Bashmet to Abbado, Barenboim, Järvi and Sawallisch. There is also a daytime amateur music festival from Aug 16 to 21, including workshops supervised by professional musicians. For those wanting a break from the music, there are trips on the lake, up the Pilatus and Rigi mountains and to the Transport Museum and Lion Monument. Ends Sep 8 (041-235272).

MONTEPULCIANO

The Cantieri Internazionali d'Arte, founded in 1976 by Hans Werner Henze in this picturesque and well-preserved Tuscan hill town, was originally intended as a performing arts laboratory. Although in recent years it has developed into a fully-fledged festival, the emphasis is still on youth. This year's programme includes concerts by the Orchestra of the Royal Northern College of Music, Manchester, and a production of Dettler Ganser's opera *Leyla und Medjoun*, conducted by Markus Stenz. The final concert on Aug 8 in the town's Renaissance square features music by Pachelbel, Haydn and Berlioz, and brings together all

the musicians taking part in the Cantieri. For further information, telephone 0578-716000.

MONTREUX

This year's festival (Aug 20-Sep 24) is the first to take advantage of Montreux's new lakeside concert hall, the Auditorium Stravinsky. Montreux has never been known for its thematic content, but this year features a series devoted to French chamber music, including rare works by Reynaldo Hahn, Vincent d'Indy and Charles-Valentin Alkan. The line-up of artists includes Alicia de Larrocha, Teresa Berganza, Barbara Hendricks, Pinchas Zukerman and the Royal Concertgebouw, Bavarian Radio Philharmonic and St Petersburg Philharmonic Orchestras (021-983 5450).

SALZBURG

Gerard Mortier's second festival, which opened last weekend, is likely to be less of an explosion than last year, but the programme is still bursting with good ideas. Deborah Warner stages Shakespeare's *Coriolanus* alongside a revival of Peter Stein's 1992 production of *Julius Caesar*. This year's new opera productions are *Così fan tutte* (with Cecilia Bartoli and Jennifer Larmore), *Lucio Silla* (with Ann Murray and Luba Orgonova) and Monteverdi's *Poppea* (with Sylvia McNair and Philip Langridge). Revivals include *Selma* (Brendy Delany), with Catherine Malfitano and Bryn Terfel, and *Falstaff* (Ronconi/Solti, with José van Dam). There are concert performances of Dallapiccola's

Uisse and Nono's *Prometeo*. Despite the increase of contemporary music at the festival, Salzburg's luxury element continues with a parade of top-class orchestras, conductors and soloists, including the Berlin Philharmonic with Abbado, the Oslo Philharmonic with Jansons and Vienna Philharmonic under Maazel, Ozawa and Levine. Riccardo Muti's only appearance this year will be to conduct two Jeeves Norman concerts on Aug 2 and 3. A notable occasion will be the farewell concert on Aug 9 of Christa Ludwig, one of the best-loved of Salzburg veterans. Ends Aug 31 (0662-844501).

OSLO

Norwegian violinist Arve Tellefsen, founder-director of the Oslo Chamber Music Festival (Aug 6-14), has drawn together friends and colleagues for an attractive anniversary tribute to Grieg, his contemporaries and compatriots. Artists appearing at the festival include Swedish baritone Hakan Hagegard, Jan Garbarek Jazz Quartet, Nordic Youth Orchestra, Norwegian cellist Truls Mork and pianist Teod Josselson. Three festival concerts take place in Bergen, for which a special train has been chartered to take the audience through the scenery which was Grieg's inspiration (2255 2553).

TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the

Massachusetts countryside. Tonight duo recital by Sergei Leiferkus and Galina Gorchakova. Tomorrow: Roger Norrington conducts Beethoven and Brahms, with piano soloist André Watts. Tomorrow: Norrington conducts Beethoven's *Missa Solemnis*. Sun afternoon: Seiji Ozawa conducts Goehr's *Colossus* or Pärt, plus works by Rachmaninov and Tchaikovsky, with solo pianist Eugene Khesin, plus Leiferkus and Gorchakova. Guest artists over the following two weeks include Thomas Hampson, Maria Tipu and Midori. The Boston Symphony's concert series ends on Aug 31, after which there will be a week of jazz concerts featuring Oscar Peterson, Count Basie Orchestra, Farnsey Lewis and Tony Bennett (Ticketmaster Boston 617-931 2000 New York City 212-3077171).

VERONA

This year's operas are *Cav and Pag*, *Carmen*, *La traviata* and *Aida*. *Cav* and *Pag* runs till Aug 14 with casts including Giovanna Casolla, Nicola Martinucci and Giorgio Zancanaro. *Casolla* and *Maria Soler* alternate in the title role of *Carmen*, which runs till Aug 29. *Adriana Morelli* is *Violetta* in *La traviata* (till Aug 30), and *Aida* opens on Sat for five performances, with a cast led by Maria Dragoni, Ghena Dimitrova, Kristian Johansson and Paolo Gavanelli. In the second half of August, there will be four performances of Khachaturian's ballet *Spartacus* (Booking by telephone or in person: Arcovoli 8-9 dell'Arena tel 045-595517 fax 045 801 3287).

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

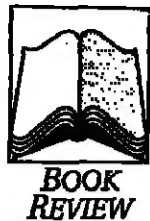
(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630

Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530

Saturday Super Channel: Financial Times Reports 0530
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

A forced and loveless marriage in Pretoria



BOOK REVIEW

It is sometimes hard for outsiders to reconcile the contradictory visions of South Africa which assault them in TV images and in newspaper headlines. There is the South Africa of the negotiating chamber, where the two main black and white parties are still co-operating to produce a new, democratic constitution ahead of the country's first multi-racial elections next April. Then there is the other South Africa: a country of horrific violence and mounting social dislocation, of economic decline, political collapse and threats of civil war.

To which country does the future belong? According to Herbert Adam and Kogila Moodley, a husband and wife team of sociologists, probably not altogether to either. In this book, they offer a more carefully nuanced portrait in which apartheid oppression is replaced not by true democracy but by a multiracial, but still authoritarian, oligarchy of the centre, challenged by similarly multiracial extremes of the left and right.

For the foreseeable future, they argue, South Africa will be ruled by a self-selecting elite - black as well as white - in the name above all of law, order and economic development. The leadership of the African National Congress, in other words, will be happily co-opted into the existing structures of white power, dissenters crushed, and legitimacy sought through popular referendums if it cannot be secured through elections.

Adam and Moodley, though now residents in Canada, have an impressive record as commentators on, and anticipators of, South Africa's political evolution. Adam's 1971 book, *Modernising Racial Domination*, accurately foresaw the changes in the ruling National party during the 1970s; in 1986 they predicted a historic accommodation between the Nats and the ANC.

Their latest oeuvre, like its predecessors, is not an easy read. It is irritatingly full of sociology-speak (what, for example, is "the abdication of

OPENING OF THE APARTHEID MIND
By Herbert Adam
and Kogila Moodley
University of California Press, \$25

ativism of the postmodernists") and its argument is poorly organised to a point which may deter the uninitiated reader.

But it could well prove every bit as prescient. Indeed, in many respects the process it outlines is already well advanced: this is essentially what the ANC and the government mean when they talk these days of "power-sharing". Adam and Moodley describe their political alliance - the driving force of the multi-party talks - as a forced and loveless marriage. Just as neither could defeat the other in the 1990s, neither can rule without the other in the 1990s.

That the people who matter on both sides recognise this fact is in itself remarkable. As the book shows in a lucid account of the road from confrontation to negotiation, it testifies to the Afrikaners' well-developed instinct for self-preservation.

It was this instinct which prompted them to seek talks when international events (settlement of regional conflicts with the end of the cold war) and domestic pressures (the mounting costs of apartheid) were for the first time combining to make compromise seem both feasible and acceptable. "Few ruling groups in history have ever wriggled themselves out of a deadly predicament more elegantly," the authors observe.

The wriggling is far from over yet, of course. The two sides, for all their procedural progress, have not been able to agree how to define power-sharing. Before elections will be conceivable, the ANC and the National party will have to reach a more precise understanding - preferably together with Chief Buthe's Inkatha Freedom party - on the powers of regional government. And even if the outstanding constitutional issues are resolved in time, it is open to doubt whether elections can happen while anarchy and violence still stalk the townships.

The authors' scepticism about the prospects for democracy goes deeper than that. They wonder how, having secured a stake in power, ANC leaders will exercise it. They worry that high black expectations for change will rapidly clash with economic reality, and that the elite will sink into corruption. A persistently sluggish economy would worsen political tensions and exacerbate South Africa's manifold social ills; the result could be a multiracial class war between the urbanised, employed "insiders" and the dispossessed of the hostels and squatter camps. Such conflict, rather than tribal strife, say the authors, is one element in the current fighting between the ANC and Inkatha.

As the country drifts further into ungovernability, restoring order will become the government's - any government's - top imperative: "If a new suppression of white and black violent extremism were perceived as essential, a multiracial emergency coalition could crush opposition even more effectively than the old racial minority regime. After all, the ANC has tortured its dissidents and spies almost as gruesomely as the apartheid police."

Nevertheless, *Opening of the Apartheid Mind* suggests that none of the gloomy parallels most often sketched is quite accurate. South Africa is unlikely to suffer the mass exodus of white civil servants that afflicted Zimbabwe, for example, and in any case has a much more vibrant private business sector. Even under apartheid, it was a more integrated society than the former Yugoslavia; the hatreds between the majority of blacks and whites do not bear comparison with those between Serbs, Croats and Bosnian Muslims. On the contrary, the authors identify among South Africans of all colours a promising sense of common purpose that transcends the discredited group identities imposed by apartheid. In that lies perhaps the strongest reason to hope that South Africa is not doomed to become another African disaster story.

Andrew Gowers

There is one criticism that the UK chancellor, Mr Kenneth Clarke, does not deserve: that is for having done and said little since he became chancellor.

Considering the sluggish world economy and severe European recession, the British economy is doing remarkably well. In these circumstances, the adage "Leave well alone" applies. UK output is growing faster than most forecasters expected, but not so fast as to constitute an inflationary threat. And prices and costs are performing almost miraculously. Total demand in money terms is growing very much in line with expectations, but the division between real growth and inflation has turned out better.

The base rate cut being pressed by the industrial lobbies would be putting this good fortune gratuitously at risk. It should be saved for possible use later against any excessive sterling appreciation. Of course, the UK recovery is patchy and the sectors that have not benefited have successfully communicated their pessimism to the Bank of England. That is the nature of the early stages of recovery.

Not only is the UK economy expanding more quickly than expected. But growth has been export led to a surprising extent, which is not bad in current circumstances. The deterioration in export prospects alleged in the July CBI survey is derived more from fallible business predictions - such as those which lay behind premature talk of "green shoots" - than from hard questions about orders and deliveries.

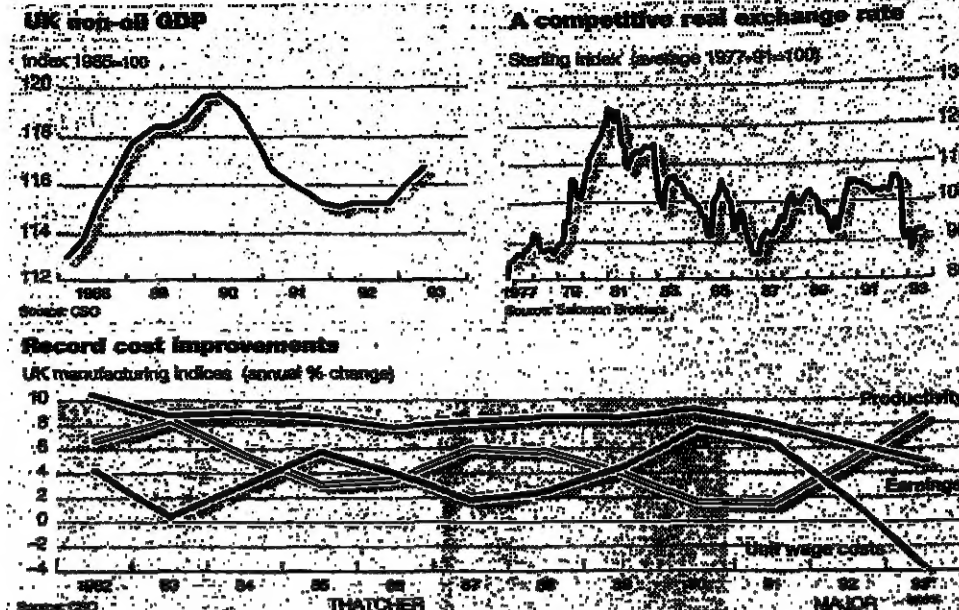
Gavin Davies, one of the members of the chancellor's forecasting panel hitherto most worried about the balance of payments, now admits that the export figures are better than he had expected. He says a trade deficit will not be a problem while GDP growth remains strong and inflation is subdued. For, with a high-growth, low-inflation economy, the returns on inward investment in the UK remain high.

The rise in manufacturing productivity in 1993 looks like being at least as high as in the best year of the 1980s. Earnings increases in manufacturing, on the other hand, have fallen to 5 per cent per annum - 3 per cent for the whole economy - a rate which would previously have been unbelievable. As a result, unit labour costs in manufacturing are now actually falling by over 3 per cent per annum, something not

ECONOMIC VIEWPOINT

Don't take risks on UK's good luck

By Samuel Brittan



seen since the present series began. Yet this has been achieved without anything like as hard a squeeze on profit margins as in the early 1980s.

There is now both a less inflationary culture and a more flexible labour market, which may explain why unemployment started to fall much earlier than expected, in contrast to the Continent.

The foundations for this success were laid by two highly unpopular policies. First there were Nigel Lawson's interest rate increases in the last 17 months of his chancellorship, which took base rates up to 15 per cent and led a howling media mob to his country residence. Second there was the Major-Lamont insistence on sticking to ERM membership for two years to September 1992 which led to yet more media hostility.

The cumulative effect of both policies was more severe than intended. But they made possible the remarkably successful onslaught on inflation and the present highly competitive cost position, a platform for future growth. As regards supporting these policies in these col-

ours: *Je ne regrette rien*. The obvious danger to continued success is the European currency turmoil on Britain's doorstep. It is in no one's interest that the remainder of the ERM should break up. The UK was able to get away with a successful devaluation, partly because it was so obviously unplanned and unintended, and partly because the market consensus was that sterling was overvalued. Even so, all it

did was to put the seal on cost improvements achieved by years of squeeze and slog. There is no future in each European country trying to steel a march on its neighbours by competitive devaluation. The key to European recovery is a monetary policy in the interests of the whole continent and not one defined by a mechanistic monetarist view of

A more flexible labour market may help explain the early fall in unemployment

Germany's interest. German monetary policy will undoubtedly be relaxed much more under the pressure of recession. The question is whether the Bundesbank moves fast enough to meet current needs.

In the longer run, the removal of obstacles to employing workers, in the shape of hiring, firing and overhead costs - and to the movements of goods across the former Iron Curtain - will be more important for European growth. But decades of perverse policy, which the Christian Democrat parties have been too "politically correct" to oppose, cannot be reversed in a few weeks. And in any case a single market will require some basis of currency stability, whatever happens to the ERM in the immediate future.

Meanwhile, the task is to put the British economy in the best possible shape to weather any European storms and to exploit the European recovery which will one day come.

If there is one economic number that a large proportion of the British public knows, it is the £50bn the government expects to borrow this finan-

cial year. City gloomsters have conveniently forgotten that perhaps £20bn of the deficit goes to capital spending. If they would then subtract another part due to recession, they would be left with something that could be readily financed, even disregarding privatisation receipts.

Fiscal puritans, moreover, overlook what Norman Lamont left behind: a cumulative £10bn per annum of additional tax increases due to come into effect over the next two financial years. Vague knowledge of these is already restraining consumer spending. The UK needs tax increases in the November Budget on top of that as much as it does a hole in the head.

The national Budget is not quite the same as a family budget. One of its jobs is to offset or make up for deficiencies or excesses in private spending. On this aspect, the Keynesians were right. They were just over-optimistic about how much demand could be stimulated without running to waste in inflation.

The most likely circumstance in which a UK policy change would be required would be an excessive appreciation of sterling. This could come about even without a break-up of the ERM from a fall in the D-Mark which left sterling at a relatively high level. Because of the UK's domestic inflation success there is room for modest further appreciation of sterling, while preserving competitiveness and reinforcing sound money credibility. But, at a sterling rate of somewhere between DM2.60 and DM3, enough would be enough, as there could be a real danger of overseas-led deflation. Exactly where the pound is in relation to non-EC currencies. A sterling index approaching anywhere near 90 (compared with 81 recently) would be a danger signal.

Faced with a massive sterling appreciation, UK interest rates would have to be cut; and the number of Conservative MPs who believe in ignoring the exchange rate would melt like Alpine snow in spring.

A very low interest rate, introduced for external reasons, might have to be offset by a fiscal tightening. But taxes should not be deliberately raised because of a hypothetical combination of circumstances. The best approach to fiscal policy is still the long-term one, focusing on the control of public spending.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Sheehy view on police 'patent nonsense'

From Mr S J Beattie.
Sir, Sir Patrick Sheehy's defence of his Report into Police Responsibilities and Rewards (Personal View, July 26) is full of holes that he ought to be embarrassed. To take just one point - the introduction of ten-year, fixed-term appointments, then subsequently five-year terms. That this would not undermine the attraction of the police service as a vocation is patent nonsense.

Sir Patrick reveals that the expiry of the fixed terms would

be used to get rid of officers only on the grounds of medical unfitness, gross misconduct, manifest incompetence or serious criminal offences. He is not in a position to give such a guarantee and why should every single officer in the police service be placed under the psychological duress that a renewable fixed term appointment must bring?

It is not beyond any commercial or public sector organisation to devise procedures and systems which dispense with unsatisfactory employees on

the above grounds, but without having to wave the threat of failure to renew a fixed term appointment. What Sir Patrick proposes does not apply in the rest of industry and is a *corps blanc* for management to control officers by fear and nepotism. This is no way to motivate or inspire officers.

I also have to make the point that even where contracts apply in other industries, terminated employees at least have the chance of re-employment with other firms and industries. There is only one

police service, with its unique training skills and experience. After ten years or more officers are simply not equipped or young enough to be trained for alternative employment. That is why the police federations are logically (as well as emotionally) appalled at Sir Patrick's failure to understand the police service.

S J Beattie,
chairman,
Police Federation for Northern Ireland,
Garnerville Road,
Belfast BT4 2NX

Claims on London's taxes

From Mr Peter Tompkins.
Sir, Wealth, as measured by local gross domestic product, relates not merely to the local population ("London's tax burden criticised", July 27). In the reported comparison by the Centre for Economics and Business Research, London's GDP of £122bn is attributed to its 6.9m inhabitants. Yet a much larger population depends on London for its income. The Home Counties send hundreds of thousands of workers into the metropolis daily to work. It is inevitable that the crude London GDP per capita should be much higher

than the British average. Certainly, London has a good claim to a fair return from the Treasury for taxes paid by staff and businesses. So in part does the larger population on which London depends for its success. This is one reason why taxes exceed public expenditure in London and other urban centres. The challenge in public spending is to arbitrate between the conflicting demands of business and people for funds to be channelled to their needs.

Peter Tompkins,
7 Acton Street,
London WC1X 9LX

Swings and roundabouts

From Mr Ann Thucchie.
Sir, Ms Mary Campbell (Letters, July 27) claims that only rich (un)carrying parents would benefit from tax deductible child care. I am not rich but I can see the immediate benefit of paying less tax, or of being taxed only once. My salary is taxed, I pay the child minder and then she is taxed, so the money I earn is being taxed twice. A bit like VAT really, isn't it? And does Ms Campbell truly believe that the

government would increase child benefit at a time when it is looking at ways to reduce its social security budget? Surely the argument is all swings and roundabouts anyway. Either the government loses/pays more money and working parents benefit or working parents continue to pay more money and the government benefits.

Ann Thucchie,
11 Roden Gardens,
Croydon CR9 2DQ

Redress for long-forgotten work

From Mr Adrian P Hewitt.
Sir, It is clearly Proust season in your letters column too. I was delighted to be reminded of that long-forgotten work, Pascal's *Wagner* (Letters, July 26). Too gloomy and Germanic, however, to be representative of a now-reviving French philosophical-cum-musical tradition which always put the accent on lightness of touch, risk and extravagance. To redress mat-

ters, I hope to read that you will shortly be announcing the new production of Descartes' *Ditties* (arr. Attali). The first one goes: "Je dépense, donc je suis".

Adrian P Hewitt,
deputy director,
Overseas Development Institute,
Regent's College,
Inner Circle,
Regent's Park,
London NW1 4NS

Knock-out definition for diarist

From Mr Michael Prideaux.
Observer ("Sheehy's lore", July 26) intends to be offensive but actually needs a dictionary. The Oxford Concise, which is probably detailed enough for a diarist, defines "narcotic" as "(substance) inducing drowsiness, sleep,

stupor or insensibility". Perhaps Observer is writing a narcotic column! Michael Prideaux,
director of group public affairs,
BAT Industries,
Windsor House,
50 Victoria Street,
London SW1E 6NL

Assessments of BS 5750 ignore quality assurance principles

From Mr Ian King.
Sir, Like many others, I am concerned about the issues addressed by Charles Batchelor in his article on BS 5750 ("A victim of its own success", July 21). However, I believe much of the criticism of BS 5750 centres around the costs and management of the certification process, rather than the quality assurance principles that the standard was originally designed to focus on. Many of the articles in the business press have little to

say about this more important subject. Having just achieved BS 5750 Part 1 registration for one of our businesses, my company's experience is that BS 5750 has given us a disciplined approach for establishing a documented quality management system, resulting in:

- a sound foundation on which to continue to build improvements to our client service;
- a model for reviewing our operational procedures, which gives everyone a common understanding of how we deliver our services;
- an opportunity to ensure that we consistently deliver the same service throughout our UK business by auditing our procedures;
- an ongoing requirement to review our quality management systems and change them in response to external demands.

Perhaps one way to enhance the credibility of BS 5750 would be to establish assessment criteria requiring evaluation of customer feedback on the effectiveness of a company's service and the quality of its products or services. After all, the main reason for focusing on quality must surely be continually to improve customer service.

Ian King,
director, quality development,
Noble Loumdes and Partners,
PO Box 144,
Norfolk House,
Wellesley Road,
Croydon CR9 3SE

PRIVATISATION IN GREECE

INVITATION TO SUBMIT BINDING OFFERS

NOTICE OF PUBLIC AUCTION

Alpha Finance A.E., having its registered office in 5, Merila Str., Athens, Greece, legally represented, within the Greek Government's plan of privatisation and acting as Special Liquidator pursuant to the Decision No. 2696/93 of the Athens Court of Appeals,

PROCLAIMS

Public Auction by sealed Binding Offers, that will take place according to the proceedings of Article 46a of L. 1892/90 as amended by Article 14 of L. 2000/91 providing for the sale of the Total Assets of the company described below.

DESCRIPTION OF COMPANY

MINING TRADING AND MANUFACTURING S.A. (the "Company") is a society anonyme established in Athens in 1964 and is engaged in magnesite ore mining, distribution of raw magnesite, and in the manufacture and distribution of caustic calcined magnesite and dead burned magnesite. The Company owns a factory and installations as well as two mines, all located in the Mantoudi area of Evia, 150 km north of Athens. The installations include among other things, pre-beneficiation and beneficiation facilities, two kilns for the production of caustic calcined magnesite and related machinery.

TERMS OF THE AUCTION

- The Public Auction as well as the whole procedure of sale of the Total Assets of the above-mentioned company will take place pursuant to Article 46a of L. 1892/90 as amended by Article 14 of L. 2000/91, the terms of this proclamation and the terms contained in the "Form of Bid". The submission of a Binding Offer constitutes an absolute acceptance of all these terms.
- Investors interested in the purchase of the Total Assets of the Company are asked to receive the Form of Bid from the Liquidator and to submit written Binding Offers in a sealed, non-transparent envelope on Thursday, 26 August 1993 and by 18:00 p.m., at the offices of the Athens Notary Public, Mrs. Agapi Katsaki - Petrouliou, 5 - 7 Christou Ladi Str., Tel. +30-1-32.25.835 or 32.51.536.
- Interested investors must submit a Binding Offer for the Total Assets of the Company. The submission of Binding Offers should be done personally or by a duly authorised representative. Binding Offers submitted past the above deadline will not be accepted.
- The Binding Offers should refer to the Total Assets of the Company as defined and described in the Form of Bid with the following notations:
 - All real estate, buildings, machinery, utensils, concessions, mining rights, inventory, means of transportation and equipment in general will be sold on an "as-is-where-is" basis on the date of the Public Auction without any obligation of the Liquidator, the creditors and the Company to improve or transport them.
 - The Total Assets to be sold do not include cash, cash equivalents and marketable securities in hand. Also not included are receivables collected by the date of the Public Auction. Finally, receivables transferred to third parties or pledged in favour of third parties are not included.
 - Inventories shall be as of the day of the Public Auction.
- Each interested investor shall, before the submission of his Binding Offer, at his own risk and expense, verify the condition of the Total Assets to be sold. Each Binding Offer should refer to the results of such verification. The Liquidator and the creditors are not liable for any discrepancies between the Total Assets as set forth in the Form of Bid and any such verification by the investors.
- Binding Offers for the purchase of the Total Assets of the Company must be accompanied by a Letter of Guarantee in the amount of fifty million drachmas (50,000,000).
The Letter of Guarantee must be issued by a credit worthy bank legally operating in Greece, pursuant to the form contained in the Form of Bid and must be contained in the same envelope as the Binding Offer. The Letter of Guarantee must be valid until the written acceptance of a Binding Offer but in any event not later than 31.12.93. After the adjudication, the Letters of Guarantee will be returned to all participants except for the winning bidder. In the event of breach of any term of the Public Auction or the Binding Offer by any winning bidder, the Letter of Guarantee will be used as penalty in favour of the Liquidator. The winning bidder waives his right to ask the reduction or the amendment of this penalty. It is implied that in the event that the Public Auction is repeated, all Letters of Guarantee will be returned. Binding Offers not accompanied by a Letter of Guarantee will not be accepted.
- The Binding Offers should not be contingent to any terms and/or provisions nor should there be any ambiguity concerning the amount and the manner of payment of the offered amount as a result of these terms and/or provisions. The Liquidator and the creditors of the Company reserve the right to disqualify any offer which contains such terms and/or provisions even if it offers a higher amount compared to other offers. As an example, any term which requires the repair, improvement and transportation of the fixed assets or demands guarantees concerning the collection of receivables or the outcome of any outstanding litigation in connection with legal demands of the Company will not be accepted and shall result in the dismissal of the offer.
- The Binding Offers will be opened before the above-mentioned Notary Public, at her office on Friday, 27th August 1993 at 16:00. Apart from the Liquidator and the representative of the Industrial Reconstruction Organisation (or "IRO") and any other creditors of the company, all persons having submitted a Binding Offer are entitled to be present during the opening of the Binding Offers.
- Pursuant to L. 2000/91, the bidder whose Binding Offer will be judged by the Liquidator and approved by at least 51% of the creditors of the Company, as the most profitable in their absolute discretion will be proclaimed the winning bidder.
- The Liquidator with the consent of 51% of the creditors of the Company will request in writing the winning bidder to appear, and the winning bidder is obliged to appear, at the above-mentioned Notary Public, at the time and on the date set forth in the request, to sign the "Assets Transfer Agreement" pursuant to the terms of the Binding Offer and any other terms requested by the creditors of the Company and accepted by the winning bidder. The above-mentioned agreement constitutes adjudication of the purchase of the Total Assets.
- All costs in connection with the participation in the Public Auction will be borne exclusively by the interested investors who are not entitled to any indemnification in the event their Binding Offer is not accepted. Furthermore, costs associated with the transfer of the Total Assets (taxes, stamp duties, advisors' fees, etc) shall be borne exclusively by the winning bidder.
- The Liquidator and the creditors of the Company are not liable for any legal or real defects of the Total Assets or any litigation in connection with the procedure of L. 1836/83 and L. 2000/91.

Furthermore, the Liquidator and the creditors of the Company are not liable to the participants in the Public Auction with respect to the appraisal of the Binding Offers, the selection of the winning bidder and generally any decision relating to the procedure to be followed. The participants in the Public Auction do not acquire any right or claim from the present proclamation and their participation in the auction against the Liquidator and the creditors of the Company.

The present proclamation has been executed in both the Greek and the English language. In case of disagreement between the two texts, the Greek text prevails.

For additional information and in order to obtain the Form of Bid interested investors should contact the Special Liquidator, Alpha Finance A.E., 5 Merila Str., Athens 106 71, GREECE. Tel. +30-1-36.46.136/36.46.190, Fax +30-1-36.04.040.

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FINANCIAL TIMES

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Thursday July 29 1993

Talk of the Bundesbank

THE BUNDESBANK remains determined to ease Europe's currency speculation. By cutting the repo rate by 20 basis points yesterday, the bank sent a strong signal that a discount rate cut is imminent. It then announced that no press conference is planned after today's council meeting. The absence of a press conference need not imply that the bank does not intend to deliver the interest rate cut which both Germany and Europe need. But the bank should not be too clever; whatever it does will need careful explanation.

Yesterday's repo rate cut comes at the end of a fortnight or more in which the parties in the exchange rate mechanism have been severely tested. It also came the day after German headline inflation rose to 4.3 per cent, twice its 1993 target, and a week after broad money growth rose to 7.1 per cent, outside the bank's target range of 4.5-5.5 per cent. If the Bundesbank fails to cut the discount rate, it will inevitably be accused of trying to sabotage the ERM. If it does cut today, then, judged by its own lights, the Bundesbank can also be accused of putting European politics above German price stability.

The Bundesbank can avoid both charges. First, the bank should reaffirm that maintaining medium-term price stability is its primary objective and will not be compromised by efforts to preserve current ERM parities. Second, it must show that a rate cut - of 0.4 per cent or more - is consistent with this medium-term objective. The explanation might run like this.

The current rate of broad money growth and consumer price inflation will not determine the medium-term inflation rate, although they will set the price

level at which inflation can be stabilised. Monetary growth is currently above target because of public borrowing to finance the government's budget deficit. Consumer price inflation is temporarily high, in large part, because of the government's efforts to close this deficit by raising indirect taxes and other charges.

The Bundesbank has tried, with much success, to offset the public demand for credit by squeezing private sector credit demand in west Germany. Real interest rates remain painfully high, private industry has suffered a severe recession and producer prices are falling. But there is a limit to the amount of damage that it is prudent to inflict to keep the overall price level down.

What matters is that the bank prevent this short-term rise in inflation from feeding into medium-term inflationary expectations. The evidence suggests that inflationary expectations are currently depressed. Pay settlements in the 1993 west German pay round averaged between 3 and 4 per cent. Long-term interest rates have fallen by over 2 percentage points since their 1990 peak and, at 6.6 per cent, are both below their long-run average and probably consistent with the bank's medium-term inflation target.

The Bundesbank should, of course, raise short-term interest rates start to rise, wage inflation accelerates or the government's fiscal targets are missed. But, for the moment, Germany's inverted yield curve suggests a further cut in interest rates is prudent. Such a rate cut may prove enough to save the French franc's parity. But whether it does so is, ultimately, a matter for Paris, not Frankfurt.

Local government

THERE IS a common fallacy in politics that doing whatever the public says it wants will be popular. The reverse is often the case: seeking to please everybody can produce policies satisfying nobody. The Local Government Commission is discovering this in reviewing local government structures in England outside the large conurbations.

The commission has so far produced five reports recommending the replacement of 66 county and district councils with 24 unitary councils. In areas such as Durham and Derbyshire, they will be based on counties; in others such as Somerset and Gloucestershire, local government will be based on smaller districts. To complete the mosaic, two tiers of local government will remain in Lincolnshire, with district councils for street-level services and a county council for strategic services.

The commission's chairman, Sir John Benham, says the recommendations are based on people's feelings about where they belong. Since they are based on extensive polling of the population under review, that cannot be denied. Yet the proposals for unitary authorities appear to find little favour in the areas concerned.

Unsurprisingly, the loudest objections come from the councils to be abolished under the recommendations. But business leaders have also been scathing about creating small unitary authorities

in areas such as Bristol and Middlesbrough unable to think strategically for urban areas forming single economic entities. And local residents' meetings say the larger unitary authorities that are proposed will be too remote to provide responsive services such as street cleaning and refuse removal.

Disturbed by the rising hubbub, the government is considering changes to the commission's remit. Mr John Gummer, the environment secretary, should nominate on a MORI poll in Derbyshire as part of the review. Only 3 per cent of those questioned said sense of community should be an important factor in shaping local government. Much more important were a structure responsive to the wishes of local people, and the cost and quality of service.

This reinforces the need for a more coherent approach to the commission's work. England needs a system of local government that is capable of strategic action, can deliver local services responsibly and is locally accountable. A two-tier model is the best way to achieve this, with larger strategic county councils and smaller districts to provide services. Yet this is the model the commission is largely scrapping. In reviewing its remit, Mr Gummer should abandon the opinion poll and reinstate reason as the driving force behind local government organisation.

Lesson for Israel

THE HISTORY of the past 15 years suggests that Israel's latest onslaught against southern Lebanon will again fail to achieve its main objective. In 1978 and 1982 Israel tried, at immense cost both to itself and to the people of Lebanon, to rid that fractured country of hostile guerrilla forces. The extent of those failures can be measured by the intensity of this week's renewed offensive.

This time Israel wishes to achieve a huge movement of population from the south. Latest estimates indicate that some 200,000 people have been driven from their homes. The villages and towns they have evacuated are being subjected to heavy shelling with the aim of making them uninhabitable. Mr Yitzhak Rabin, Israel's prime minister, believes that the mass of refugees will create pressure on the governments of Lebanon and Syria to curb the guerrilla activities of Hizbollah, the radical Shia faction, and its Palestinian allies.

Mr Rabin is as misguided about this as he was in December when he ordered 415 Palestinians to be deported from the occupied West Bank and Gaza. That action, and this week's more extreme military assault, not only threaten the faltering Middle East peace process but also play into the hands of those most opposed to it. More damaging still, the punishment being inflicted on the civilians of Lebanon invites compar-

isons with what is happening in Bosnia. The forcible movement of entire populations, in defiance of international appeals, is not only morally indefensible but must also increase suspicions among Moslems that the West is at best indifferent, at worst hostile to them.

This is a propaganda gift to radical Islamic movements and governments, particularly Iran, which since the 1982 invasion has sustained and armed Hizbollah under the guise of aiding a national liberation movement. It has been having similar success in the other occupied territories, where Hamas is increasingly challenging the influence of the more moderate Palestine Liberation Organisation.

The lesson for Israel appears to be that the harsher its response to security challenges, the greater will be the radicalisation of the populations it is seeking to control. And it is precisely those populations which will ultimately decide the fate of the peace process.

Mr Warren Christopher, the US secretary of state, will shortly begin another visit to the region, aiming to move peace negotiations forward. For that to happen, Israel must be persuaded to make an explicit commitment to withdraw from the territory it occupies, in return for peace treaties with its neighbours. It is the only way to reverse the increasingly dangerous radicalisation of the region.

Muscle behind a counter offensive

Tony Jackson examines the logic behind a link-up of three of the world's biggest drug companies

Glaxo, Warner-Lambert and Wellcome: transatlantic alliance



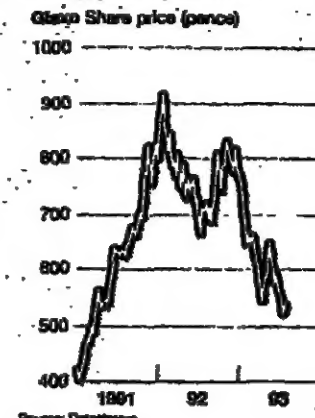
Sir Paul Girolami, chairman of Glaxo



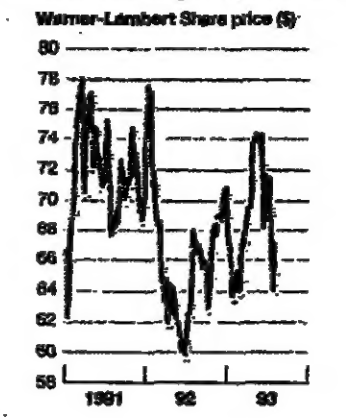
Lord David de Vries, president of Warner-Lambert



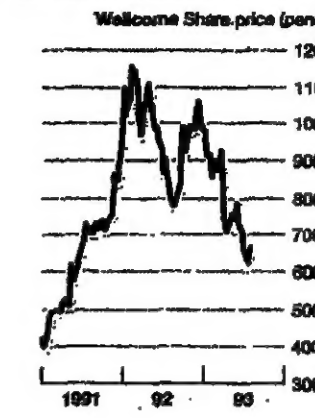
John Robb, chief executive of Wellcome



Glaxo Share price (pence)



Warner-Lambert Share price (£)



Wellcome Share price (pence)

cheaply, and get more shelf space."

Since Mr Robb is himself a consumer marketing man by training, it is hard to believe he does not chafe at being junior partner in the venture. But he treats the fact stoically. "I couldn't see any other way into it. We are just not in the first flight of consumer marketing companies, and it would take a huge investment to get there. There is no one you could think of making a hostile bid for, and no pharmaceutical company wants to sell its OTC business. And as OTC approvals for Zovirax started coming through, we risked missing the market opportunity."

When it comes to Glaxo, the motivation is more complex. Its negotiations with Warner-Lambert began independently from Wellcome's. Its strategy was also very different: indeed, strategic differences within Glaxo may have contributed to the abrupt and somewhat mysterious departure in March of Dr Ernest Mario, Glaxo's chief executive.

It was rumoured at the time that Dr Mario wanted to pursue outright merger with Warner-Lambert. However, Glaxo's chairman, Sir Paul Girolami, remains a stubborn advocate of the virtues of prescription medicines. Yesterday's deal means that Glaxo will wash its hands of the OTC future of Zantac and its other drugs, leaving their development to Warner-Lambert and Wellcome.

Dr Franz Humer, Glaxo's chief operating director, yesterday stuck to the Glaxo line. It would be wrong to blame Dr Mario's departure on differences over the deal, he said. "The reasons for his departure were many and varied. "We are convinced that the prescription drug market will continue to be a very healthy and growing one," he said. "We want to concentrate all our resources, and the £700m we spend on research and development, on innovative ethical (ie prescription) pharmaceuticals. This deal clearly recognises that the know-how for

running an OTC business belongs to Warner-Lambert."

Warner-Lambert itself is in no doubt of the value of its catch. Mr Mel Goodes, the chairman, was clearly in a jubilant mood as he announced the deals yesterday. While he refused to estimate the income that would flow to his company from the agreements, he said "in aggregate, they have the potential of adding hundreds of millions of dollars to our annual sales line."

The company claims that a treatment for genital herpes which is available for immediate purchase from a pharmacist would "eliminate thousands of doctor's visits" and give sufferers access to the product at an early stage when it is most effective. This would make the switch of the product to OTC status attractive, "as governments look to curb their health care bills," said Mr John Walsh, head of the company's consumer products division. While the new joint venture will still rank only third in the world of

OTC products, behind Johnson & Johnson and American Home Products, it ties in with the strategy of extending the range of products sold through Warner-Lambert's existing network, as enunciated by Mr Goodes soon after he became chairman two years ago. On the other hand, Zantac and Zovirax are unlikely to be on sale in US before 1996 at the earliest. According to Warner-Lambert yesterday, a submission will be made to the US Food and Drug Administration in August to sell OTC versions of both products, with approval expected in 1994 or 1995.

It might also be asked how profitable they will be. Despite Zantac's huge success as the world's biggest prescription drug, when it comes to the OTC market it will be entering a crowded field. SmithKline Beecham's Tagamet, an older ulcer drug with an almost identical action, has already been cleared for OTC sale in the UK and has been submitted for clearance in the US. A third drug with a similar action, Espidol, has been submitted for OTC approval in the US by Merck, the biggest prescription drug company in the world.

According to Mr Robb of Wellcome, US margins on OTC medicines are good by consumer product standards, though not by comparison with prescription drugs. "They shouldn't drop below 15 per cent before tax," he said yesterday. "It would also be unusual if they went above 20 per cent. That's very respectable. And who knows where prescription drug margins are going to go? I suspect they'll be more under attack than the OTC side."

However, past OTC margins need not be a guide to the future. It is worth recalling that as recently as the late 1980s, drug companies thought the answer to government pressure on prices was to merge their prescription businesses, as SmithKline did with Beecham and Bristol-Myers did with Squibb. Now, the trend is to get together with consumer groups. Thus, the pharmaceutical group Syntex has already formed a marketing alliance with the consumer products giant Procter & Gamble, and Merck has an OTC agreement with Johnson & Johnson.

The danger may therefore be that too many companies are heading the same way at once. Collectively, the drug industry has enormous resources and huge piles of spare cash. Now that their traditional prescription business is under threat, the industry giants have the capacity to unleash consumer marketing wars on an unimagined scale. In staying clear of the hurry-burly, Glaxo is being typically contrarian. Just conceivably, though, it may have a point.

Additional reporting by Richard Waters and Paul Abrahams

Why the EMS deserves an early burial



PERSONAL VIEW

The current turmoil in the currency markets and the broader crisis of rising unemployment in Europe is the most striking evidence yet that the European monetary policies and exchange rate arrangements are profoundly counterproductive. By far the most important factor responsible for this debacle is the Bundesbank's policy of high interest rates, combined with certain features of the European Monetary System which have forced other member countries to follow suit: these include the mobility of capital across member countries and the fact that central banks have interpreted the rules of the exchange rate mechanism to require not only the maintenance of fixed exchange rates but also the avoidance of parity adjustments.

The result of high interest rates across Europe has been that unem-

ployment has risen to record levels. Governments have done little but seek a variety of excuses for the loss of jobs. It looks as if the 1930s are being re-enacted. Then, it was felt to be imperative to hang on to gold at any price, today the feeling is to hang on to the D-Mark.

It is not useful to spend too much time allocating blame - on a Bundesbank that fights inflation of "only" 4 per cent, on EMS member countries such as France, which opts for a hard currency at the price of an entirely unwarranted recession, or on a country like Spain, which believes that being in Europe means being a member of the ERM.

In our view, the essential issue is for the EMS countries to shift priorities, putting unemployment at the top of the list and recognising that much labour can be reabsorbed through reflationary policies, beginning with a sharp cut in interest rates.

Of course, countries would have to accept the depressing implications that such a move would have

on their exchange rate with the D-Mark, without committing their reserves in an attempt to support the current parity. This means they must be prepared to see their exchange rates fall below their lower limits and hence face election from the ERM.

Ideally it might be hoped that

By Olivier Blanchard, Rudiger Dornbusch, Stanley Fischer, Franco Modigliani, Paul A Samuelson and Robert Solow

France would take the initiative by slashing interest rates and letting the franc float. Other European countries, including Belgium and Spain, would follow. At this point two possible scenarios are conceivable: the first is that, faced with the prospect of a sharp loss in competitiveness, Germany would limit the

damage by cutting interest rates. Within just a few weeks the long-awaited cut in European interest rates would have materialised.

Second, the Bundesbank would refuse to cut rates beyond another token amount, and then Germany would be left alone in the ERM (thereby floating too). This would mean the end of the EMS as presently constituted. But this should not be a cause for regret.

To be sure, there was a time when the ERM, with fixed parities and Bundesbank leadership, performed a very useful function. But in their quest for moderate inflation, countries adopted an unwavering D-Mark peg, which is now becoming a problem.

There is no reason to equate yielding on existing ERM parities with sacrificing the entire anti-inflationary effort of the 1980s. France has no inflation problem - unlike Germany. France can, therefore, afford to do without the recession which the Bundesbank feels it must impose on Germany. Spain has a phenomenal unemployment prob-

lem which should be the immediate focus of attention, not a currency peg that is killing growth and prosperity.

Some might bemoan the ensuing incapacitation of the EMS as a rude shock to the dream of European unity. But such a concern is unwarranted.

First, the central element of the European Community is the set of common market institutions, and these should and would remain in place even if the EMS were temporarily impaired. Second, plans for European monetary union are already in tatters. Thus, leaving the present system would only acknowledge a truth that many in Europe refuse to face. Forsaking the present arrangements is the only way to move quickly towards a new European monetary system in which a crisis such as the current one cannot be repeated.

The authors are professors of economics at the Massachusetts Institute of Technology, Cambridge, Massachusetts, US

Strong soap washed out

■ The British public's excitement at their prime minister's use of the word "bastards" must be incomprehensible to the Brazilians, who plainly look for stronger entertainment at the hands of their politicians.

For example, they have long been breathlessly awaiting a new television soap opera called The Maharajah. Scheduled for prime-time screening, it weaves newsreel footage of the rise and fall of the impeached Fernando Collor into a plot about a woman reporter stumbling across a financial scam intended to keep a head of state in power for 30 years.

Oddly enough, not only does the actor in the name role bear a remarkable likeness to the disgraced ex-president, but the actress playing the Maharajah's wife closely resembles the country's former first lady. Since the word "Collor" never occurs in any of the episodes, however, the producers believed they would escape legal difficulties.

The belief has just been rudely shattered. To the dismay of the country's TV viewers, the courts have granted an injunction banning the screening to lawyers acting for Collor, who's now awaiting criminal trial on corruption charges.

Nevertheless, the producers aren't letting the banners get them down. They're confident their lawyers will soon get the injunction overturned, they say, and the publicity generated by the legal battle will set the soap-loving Brazilians positively bubbling with expectation.

Changing station

■ Will Gianni Locatelli, Italy's rising media star, find his next challenge as easy to master as his last one?

During his editorship of Sole 24, Italy's pink financial daily, sishes have doubted and the paper has become essential reading.

But RAI, Italy's state broadcasting corporation, could be a far tougher nut to crack. As the new director-general, Locatelli inherits an organisation which exhibits one of the most flagrant examples of the way the political parties carved up the institutions of state.

The Christian Democrats control the main TV channel, the Socialists the second and the third have been handed as a sop to what were once Communists.

Locatelli's brief is not only to introduce greater objectivity in news and limit the politicking but also to tackle the organisation's disastrous finances and overblown staff. This could mean cutting the number of state channels to two, and preparing for a more general



By the end of the week the prime minister will be calling us all bastards

broadcasting reform that would also reduce Silvio Berlusconi's near monopolistic grip on commercial television. It makes John Birt's job at the BBC look a doddle.

Gloom boom

■ Next to a hole in the head, there's surely nothing the Brits need like the latest sociological yardstick produced by Mori opinion polls - a monthly Misery Index.

Alas, the FT can't claim to be free of blame for the development,

because the misery measure is calculated from the fear of redundancy index printed in this paper together with the economic optimism index published in The Times.

The combined result represents the average numbers of people polled expecting further recession and either potentially or actually out of a job.

What it shows is that the national heart is steadily sinking, now up to 33 per cent last month from April's 27 per cent, with all ages and classes as well as both sexes becoming equally steeped in gloom.

Indeed, the only exceptions to the uniformly unhappy pattern are the Scots.

They're gloomier still.

Nosey

■ Meanwhile the Wickert Institute, which regularly polls the Germans on anything from their political preferences to how often they laugh, has just discovered that one in three of them is bothered by fellow-citizens' "disagreeable perfume".

The sniffiest are the unmarried; those in wedlock being "mostly less exposed to bodily contact or simply more tolerant".

There are also differences by occupation. For example, only 30 per cent of farmers, no doubt distracted by earthier smells, make complaints about such olfactory

offences. But those paradigms of pedantry, public officials, turn up their noses at the rate of 49 per cent.

Cayzer-speak

■ The plabs rarely attend AGMs of Caledonian Investments, the publicly quoted arm of Lord Cayzer's family fortune. But yesterday's affair was even more rarefied than usual. What on earth was John Kemp-Welch, joint senior partner of Cazenove, going on about when he lapsed into Latin during the customary vote of thanks?

Cayzer family retainers note that the last time it happened was in 1967 when Kemp-Welch uttered a dictum which translated roughly as "the past has been magnificent but let us hope that the best is yet to come".

But what inspired his latest outburst, ending with the immortal words "nil adhuc non vidistis" - was the Wykehamist broker reflecting the wisdom of Pliny. Horace... or whom?

More like Ronald Reagan, Kemp-Welch admits.

Bridling

■ A horse walks into a western saloon, tapping its hoof impatiently when the bartender just goes on jolting with other customers.

Eventually he comes over. "Why the long face?" he says.

Russian central bank move was 'useless' Finance chief vows to overturn rouble reform

By John Lloyd in Moscow

MR BORIS Fyodorov, the Russian deputy prime minister and finance minister, yesterday vowed to fight to annul the central bank's "useless and unjustified" decision to withdraw all pre-1993 roubles from circulation. He also demanded the resignation of Mr Viktor Geraschenko, the central bank chairman.

In uncompromising mood, Mr Fyodorov emphasised: "There is one person who is guilty: that is Viktor Vladimirovich Geraschenko; his actions are senseless, even I would say stupid. Not one economist or one banker in the whole civilised world would take a decision like this."

Within hours of returning to Moscow from Washington, Mr Fyodorov said western officials were also concerned over the central bank's action.

"Only two weeks after we returned from the Tokyo summit [at which \$44bn in foreign aid was pledged to Russia's reform]

this decision is taken. This again tells the whole world that we are an untrustworthy partner. There were calls to suspend aid to Russia," he said.

Earlier yesterday, the president of the Russian parliament said it was cancelling the bank's decision. It said all limits for changing old money into new had been scrapped and that all trading outlets must accept pre-1993 banknotes.

However, Mr Fyodorov yesterday dismissed the parliament's announcement, saying the president must abolish the bank's initial decision.

Mr Fyodorov admitted that he had no way of exercising leverage on Mr Geraschenko or the bank itself - since it is constitutionally under the control of the parliament.

The finance minister said Mr Yeltsin had not been told of the bank's move before it had been made, and said Mr Viktor Chernomyrdin, the prime minister, and his cabinet colleagues, were informed only hours before it

was announced. Citing a report on the bank by the accountancy firm Coopers & Lybrand, which highlighted unexplained "distortions" in the bank's accounts for last year, Mr Fyodorov said: "It cannot be ruled out that behind this are some criminal aspects. Hundreds of billions of roubles were moved to the other republics without being accounted for."

Mr Larry Summers, the US Treasury undersecretary for international affairs, yesterday called for a strong protest to be lodged by the Group of Seven industrial countries. His suggestion, however, was vetoed by the G7 foreign ministers, including Mr Warren Christopher, the US secretary of state.

In a separate decision, the president also cancelled Mr Yeltsin's decree sacking Mr Viktor Baranikov, the security minister, for corruption and failure to react promptly to attacks on border guards on the Tajikistan/Afghanistan border.

LDP in Japan on verge of losing power

By Robert Thomson in Tokyo

JAPAN'S Liberal Democratic party is on the verge of losing power after seven opposition parties yesterday agreed to support a joint prime ministerial candidate and form a coalition government.

Two parties holding the balance of power, the Japan New party and the New Harbinger party, said yesterday they had no intention of backing the LDP, which needs their votes in a parliamentary session to appoint a new prime minister next week.

If the seven opposition parties do not fall in the next few days, the LDP will lose office for the first time since 1955, although the new coalition is comprised mostly of conservative parties unlikely to want sudden changes in economic and foreign policy.

The ideological exception in the seven is the Social Democratic party, formerly the Japan Socialist party, which wants the disbanding of the Japanese military, takes a tougher foreign policy line against the US and supports totalitarian North Korea.

But the seven parties have been able to form a coalition by agreeing not to talk about the SDP's more controversial policies and concentrating their discussion on overhauling the scandal-tainted political system and toppling the LDP, which is continuing to lose members.

Three MPs left yesterday and further resignations are likely in the next week, with most defectors planning to join the Japan Renewal party, run by Mr Tsutomu Hata, the former LDP faction head who brought down the government of Mr Kiichi Miyazawa and forced a general election, on July 18.

Apart from the JRP, the SDP, the JNP and NHP, the coalition includes the Komeito, backed by the Buddhist movement, the Democratic Socialist party and the United Social Democratic party. The seven parties concede that their planned partnership could be short-lived and that another general election is possible within a few months.

Two candidates formally applied yesterday to replace Mr Miyazawa in the LDP presidency, to be decided at a party meeting tomorrow. Mr Michio Watanabe, 70, the former foreign minister, is competing, although he is in poor health, while Mr Yohei Kono, the chief cabinet secretary, was asked by party elders to stand.

In the past, selection as LDP president has also carried the title of prime minister, but the successful candidate must face a challenge in parliament next week from the coalition's candidate for the leadership. At present, the LDP is certain of receiving 224 votes, while a stable coalition can count on 245 votes.

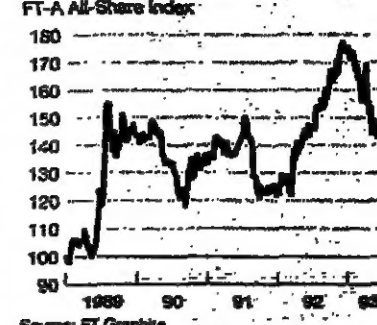
THE LEX COLUMN

Drug dealing

FT-SE Index: 2884.2 (+4.8)

BAT Industries

Share price relative to the FT-A All-Share Index



Source: FT Graphite

The frenzy of deal-making among pharmaceutical companies is a recognition that returns on investment in new drugs will be lower than in the past. Making the most of existing products and looking for profits elsewhere is a natural response. Governments taking a tough line on the cost of prescription medicines are also encouraging patients to buy medicines over-the-counter. So the triple alliance between Wellcome, Glaxo and Warner-Lambert has a compelling logic.

Merck has already addressed the OTC market by linking with Johnson & Johnson. Its decision to spend \$8bn buying one of its biggest customers is more difficult to fathom. Such vertical integration has worked in other markets, but it remains open to question whether Merck can defend its share of mail-order medicines once its independence is called into question. Mr Richard Markham, who resigned unexpectedly as Merck's chief executive earlier this month, may have harboured similar doubts.

Both Wellcome and Glaxo are surrendering profits from potential OTC medicines - based on the Zovirax antiviral treatment and ulcer drug Zantac respectively - in exchange for Warner-Lambert's experience and clout in consumer marketing. But while Wellcome is taking an equity stake in what will be one of the world's largest consumer healthcare companies, Glaxo is sticking resolutely to its guns as a prescription drugs company. If that dispels lingering fears of a big acquisition in consumer healthcare, so much the better.

Zovirax has already won OTC approval in several countries and should have a free run of several years before competition comes along. An indigestion remedy based on Zantac is at best three years away - pending regulatory approval, which is by no means certain - and could be second or third on the market. The 4 per cent rise in Wellcome's share price yesterday, against a 2 per cent rise in Glaxo, thus looks a measured response. The days when prescription drugs companies could afford to look down on margins earned in consumer markets have clearly passed.

BAT Industries

Sir Patrick Sheehy's lot is not a happy one. With Philip Morris playing merry havoc in the US cigarette market, the Bishopsate bomb blowing a £24m hole in Eagle Star's profits, and the cumulative losses from mortgage

Lloyds Abbey Life

The inexorable rise of bancassurance has been at least slowed by recession. Black Horse Financial Services, which sells to Lloyds Bank customers, had little more luck selling regular premium savings products in the first

half of the year than other life insurance companies. Unit trust sales took up the slack as savers moved out of low-yielding deposit accounts. But that business offers lower margins than selling traditional life products, and might be expected to tail off.

The question, then, is whether Black Horse will regain momentum as the economy turns. The tougher disclosure rules proposed by the Treasury might help. Lower administration and sales costs should be more of a competitive advantage once customers are presented with such information in clear terms. This is assuming Black Horse can come up with a convincing formula of what its sales costs are. But having made an initial crawl through its captive audience of Lloyds customers, it may find winning new business tougher from here on.

UK gilts

The Bank of England was lucky in its timing of the latest gilts auction. It coincided both with the currency tension in Europe, which has given sterling a safe haven status, and with heightened expectations of lower interest rates following Tuesday's CBI survey. There is no doubt that these factors boosted demand, especially since the market was over-sold last week in the run up to the sale.

Sterling's strength may prove less of a support if calm returns to the ERM following today's Bundesbank council meeting. Base rate hopes may continue to shore up short gilt prices for a while, providing the Bank with additional funding opportunities. That would reinforce the impression that its efforts are concentrated towards the short end of the maturity spectrum where rates are cheaper. Although the Bank has carefully eschewed the US example of making this an explicit policy, it may still worry that borrowing over 25 years at rates around 8 per cent implies little faith in its own anti-inflation stance. Or it may simply believe that borrowing long could become cheaper still.

But the luxury of choice is limited. Recent auctions have met heavy demand from overseas buyers who favour short to medium-dated stock. Eventually this demand will abate. The Bank may then have to target domestic institutions who prefer long-dated paper. The risk is that something could have happened by then - like the first sign of higher wage inflation, for example - to have sent the gilt market's rally into reverse.

Brussels relaxes stance on Italian state industry debts

By Robert Graham in Rome and Lionel Barber in Brussels

THE European Commission has reached preliminary agreement with Italy, allowing the government to repay £7,000bn (\$4.34bn) to creditors Efin, the state industrial holding.

The deal was struck by Mr Beniamino Andreatta, the Italian foreign minister, and Mr Karel Van Miert, EC commissioner in charge of competition. It is part of a trade-off in Italy's dispute with Brussels about state subsidies, particularly those for Iva, the loss-making state steel group.

On Tuesday, Mr Andreatta relaxed Italy's stance on Iva and agreed to withdraw plans to write off Ecuibn (\$4.5bn) of debt. The Italians believe Brussels has been blocking an Efin agreement to exert pressure in the Iva affair.

Italy now has until August 14 to present fresh proposals for Iva's future, which will be studied in late September. Until the EC is satisfied with the Iva plan, it could delay formalising an

agreement on Efin. Yesterday's agreement came too close to the summer recess for details to be worked out. Disbursements to banks and suppliers are unlikely to begin before late September.

Efin was placed in liquidation last July with £18,000bn debts split roughly equally between banks and suppliers. Foreign banks are owed more than £3,500bn.

The Italian parliament approved disbursement of £8,000bn during three months to Efin creditors; but since then Brussels has only given the go ahead for £2,000bn to the defence side of the state holding.

Mr Van Miert blocked the funds on the grounds that repayment of Efin's accumulated debts represented a form of subsidy. The Italian government argued that it was legally bound to honour Efin debts.

The outline agreement sees the Italian government honouring Efin debt accumulated at the time of liquidation, plus subsequent interest and refinancing arrangements. The government will be placing some £4,000bn in the 1994 budget to cover liquidation costs which may reach £17,000bn.

Italy will provide a privatisation timetable and precise levels of state company indebtedness. The latter's debt at the end of December 1993 will be considered a maximum ceiling. Thereafter the Italian government must be seen to be reducing debt.

Piëch attacks GM in row with VW

Continued from Page 1

company". A recent press release from the prosecutors, which linked Mr López with confidential GM group data found in four boxes in a Wiesbaden house formerly occupied by two of his so-called "warriors", was "tainted with one-sidedness", Mr Piëch charged.

It had led to unlawful public prejudgment of Volkswagen. The boxes had been "in other hands" in the time between Mr López's colleagues leaving the house and the delivery of the material by "unknown" and "indirect" ways to the police, he claimed.

The prosecutors' office, which had described earlier VW

complaints as "incomprehensible", said yesterday: "We are absolutely sure of our facts."

On the Frankfurt stock market, the VW share price closed up DM11.70 at DM359.70, while other German car makers fell sharply and the blue-chip Dax index dropped more than 11 points to 1,833.91.

FT WORLD WEATHER

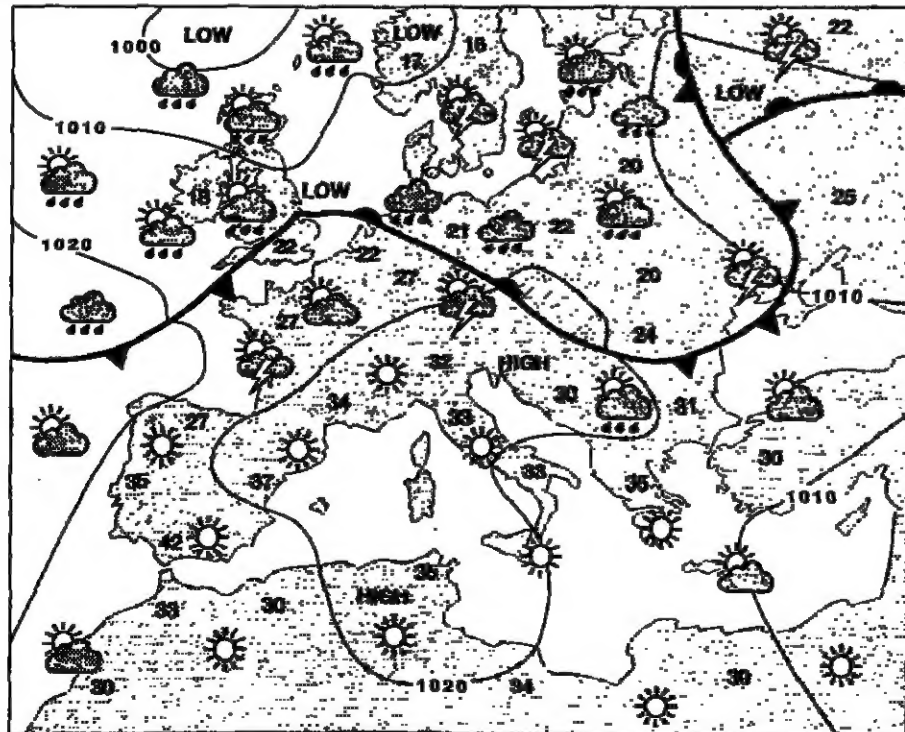
Europe today

A frontal system over the eastern Atlantic extending toward the Low Countries and the eastern Alps will cause cloudiness with outbreaks of rain. The front will separate warmer air in the south from very cool and unsettled conditions in northern and north-western Europe. Over Britain, a moist westerly flow will cause showers interspersed with some sunny spells.

Over the Balkan states it will be warm again, but some thunder showers will occur in the afternoon. High pressure will influence the Mediterranean with abundant sunshine and afternoon temperatures well above 30C. In parts of southern Spain readings will be around 40C at some locations.

Five-day forecast

A few showers will develop in a moist westerly flow over Britain, but sunny spells will occur as well. It will remain warm and mostly sunny in the Mediterranean with some thin scattered clouds. By Friday and Saturday, low pressure between Scotland and Norway will influence north-western Europe, resulting in cool and unsettled conditions. However, high pressure over the Atlantic will build towards central Europe by Sunday and Monday, causing most of the showers to dissipate.



TODAY'S TEMPERATURES

Location	Temperature
Abu Dhabi	sun 43
Accra	cloudy 28
Algiers	sun 35
Amsterdam	cloudy 21
Athens	sun 34
Bangkok	sun 35
Barcelona	sun 31
Beijing	showers 28
Belfast	showers 18
Belgrade	thund 30
Berlin	showers 21
Bombay	showers 30
Bordeaux	sun 33
Buenos Aires	cloudy 11
Cairo	sun 36
Cape Town	showers 17
Casablanca	sun 27
Chicago	sun 27
Cologne	cloudy 29
Copenhagen	cloudy 20
D'Salem	sun 29
Dakar	sun 30
Dallas	sun 38
Darwin	sun 31
Delhi	sun 42
Dubai	sun 42
Dublin	showers 18
Dubrovnik	sun 33
Edinburgh	showers 20
Faro	sun 33
Frankfurt	sun 26
Geneva	showers 20
Glasgow	showers 18
Hamburg	rain 20
Helsinki	sun 31
Hong Kong	thund 31
Honolulu	sun 30
Ile of Man	showers 18
Istanbul	sun 30
Jersey	rain 17
Karachi	sun 33
Kuwait	sun 46
La Paz	sun 10
Las Palmas	sun 30
Lisbon	sun 36
London	rain 23
Los Angeles	sun 27
Luxembourg	sun 27
Lyon	sun 28
Madeira	sun 28
Madrid	sun 38
Manila	sun 32
Manchester	showers 19
Marseille	sun 28
Melbourne	sun 20
Mexico City	sun 22
Miami	sun 31
Milan	sun 30
Montreal	rain 18
Moscow	sun 30
Murich	sun 33
Nairobi	sun 33
Naples	sun 46
Nassau	showers 18
New York	sun 27
Nice	sun 36
Nicosia	sun 34
Osaka	sun 27
Paris	sun 27
Perth	sun 28
Prague	sun 28
R de Janeiro	rain 23
Rangoon	showers 32
Reykjavik	sun 14
Riyadh	sun 44
Rome	sun 31
S' Francisco	sun 21
Seoul	sun 27
Singapore	rain 30
Stockholm	sun 20
Strasbourg	sun 30
Sydney	showers 16
Taipei	sun 33
Tokyo	sun 32
Toronto	sun 25
Tunis	sun 35
Vancouver	showers 19
Venice	sun 30
Vienna	thund 27
Warsaw	sun 22
Washington	sun 25
Wellington	showers 13
Winnipeg	sun 28
Zurich	showers 26

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INTERNATIONAL COMPANIES AND FINANCE

Groupe Bull losses deepen as pricing pressures mount

By John Hidding in Paris

GROUPE Bull, the troubled French computer manufacturer, suffered a fall in sales and a rise in losses in the first half of 1993, the company said yesterday.

The state-owned company reported net losses of FF1.98bn (\$341m) on sales of FF12.5bn for the first six months of 1993, compared with losses of FF1.69bn and sales of FF13.8bn in the same period last year.

The company, which is negotiating a restructuring plan with the French government,

has accumulated losses of over FF15bn in the past 3½ years. Mr Gerard Longuet, the industry minister, has said that the state cannot continue to subsidise losses on this scale and has come under pressure from the EC to reduce its financial support for the group.

Bull said that its first-half results reflected "persistently unfavourable economic conditions" and an "acceleration of general price pressures in the computer market".

Zenith Data Systems, its personal computer division which is the single biggest source of the group's losses, suffered a

continued fall in profit margins. The company said that this fall in margins more than offset a rise in sales of PCs by ZDS.

Bull said it planned to return to profit in 1995. To achieve this it announced measures to reduce costs and form alliances with other international computer manufacturers. Earlier this month, the company announced plans to reduce its workforce by 6,500 people, about 18 per cent of the total, by the end of 1994. Last month, the company formed a PC design and manufacturing alliance with Packard Bell.

BT issues warning despite 3% advance

By Andrew Adams in London

BRITISH Telecom reported a pre-tax profit of £757m (\$1.1bn) in the quarter to June 30, a 3 per cent rise.

The comparable figure left aside the effects of selling non-core businesses, on which a £135m loss was incurred. First-quarter turnover rose 2.9 per cent to £3.34bn.

Mr Iain Vallance, BT chairman, described the results as "encouraging, showing growth in both UK and international call volumes".

However, he sounded a warning note on the regulatory and competitive pressures faced by BT. Under an agreement with the telecom watchdog OfTel, BT is obliged to reduce prices for core services to a figure 7.5 per cent below the retail prices index for the coming 12 months. Nearly 60 per cent of BT's revenue will be affected.

Analysis also expect BT to lose about 3 per cent of UK market share over the next year, as Mercury - which has about 10 per cent - and cable TV companies make advances in the residential market.

OfTel is considering plans which could improve terms for competitors to connect with the BT network.

Revenue from international calls rose nearly 15 per cent to £499m during the quarter, and there was an 8 per cent rise in income from telephone line rentals to £385m. Inland traffic was flat at £1.26bn. Using a 12-month moving average, inland call turnover growth was 2 per cent up, but discount packages and the effect of last year's OfTel price cap kept revenue static.

Capital spending on plant and property fell from £492m to £467m. BT denied that there had been a decision to invest less at home following the company's recent \$4.3bn purchase of a stake in MCI, the second largest US carrier. It said that two thirds of UK customer lines were now connected to digital telephone exchanges.

In June, BT employed 169,500 people, down 1,200 in the quarter.

Ford's earnings double to \$775m on strong US sales

By Martin Dickson in New York

FORD Motor, the second-largest US car manufacturer, yesterday reported doubled second-quarter earnings as stronger US vehicle sales and surging financial services profits outweighed problems in the European market.

Ford reported earnings of \$775m, or \$1.43 a share, up from \$367m, or 70 cents, in the same period of last year. Sales and revenues rose to \$29.4bn from \$26.8bn.

Mr Harold Poling, the chairman, said the improvement, in the midst of weak economies

and the company's aggressive product introduction programme, showed "we remain on course for better financial results in 1993 over last year". However, he noted that in Europe most leading economies continued to worsen during the quarter, and added: "I'm not sure we have seen the bottom there yet".

Ford's US automotive operations earned \$367m, up from \$42m a year ago, due to increased industry sales and increased market share. It held 21.4 per cent of the US car market, up 0.5 of a point from a year ago, while its light truck share was up 0.3 of a point at 30.2 per cent.

Outside the US, automotive operations earned \$28m, down from \$61m a year ago, due to weakness in Europe, where the company doubted it would make profits this year.

The group's financial services company earned record profits of \$360m, up from \$284m a year ago, which was attributed mainly to increased volume and reduced credit losses. For the six months, Ford reported net income of \$1.35bn, or \$2.45, compared to a loss after accounting changes of \$6.27bn, or \$13.13 in the same period of 1992. Sales rose to \$26.18bn from \$21.4bn.

European operations slip further into the red

By John Griffiths

FORD'S European operations fell deeper into the red in the second quarter, and Mr Harold Poling, the chairman and chief executive, warned that there could be a further deterioration.

The second-quarter net loss of \$175m compared with a profit of \$23m in the same period of 1992.

Jaguar, Ford's UK-based luxury cars subsidiary, made a second-quarter loss of \$59.1m, although this represented a considerable improvement on a year-ago loss of \$72.5m.

Ford projected total European car and truck sales this year would fall 17 per cent to 12.4m. This has almost ruled out breaking even on European operations this year.

Market conditions have continued to worsen since the first quarter, when the European operations, including Jaguar, made a net loss of \$82m compared with a \$84m profit in the previous year's quarter.

Since Jaguar's losses in the first quarter were \$150.5m, down from \$242m in the same period in 1992, Ford's non-Jaguar European business was marginally in profit in the opening stages of this year.

However, the European new car market has since slid further and Ford's share of it has contracted. Its cars accounted for 11.3 per cent of all European sales in the second quarter, compared with 11.5 per cent in the first.

The worsening of Ford's fortunes showed up sharply in second-quarter unit sales in Germany, Europe's single biggest market, which dropped by 10.8 per cent to 219,185.

UK sales fell more than 21 per cent to 117,405.

However, Ford said it had been hit by adverse currency shifts within Europe and by higher product and marketing costs. It has also had to bear the launch costs of the Mondeo medium car range, one of the most important models in its history. Mr Poling said more than 250,000 orders for the Mondeo had been received since its launch in March.

Third foreign bank may join Ferfin talks as consultant

By Haig Simonian in Milan

FERRUZZI Finanziaria (Ferfin), the Italian holding company staggering under total borrowings of about L31,000bn, (\$19.6bn) may be facing increasing difficulties in persuading banks to keep open lines of credit, in spite of expressions of support by foreign bank creditors earlier this week.

A meeting yesterday of the five big Italian banks working on a rescue plan for the group, which also lies at the heart of a growing storm concerning alleged bribes to politicians over the Enimont chemicals venture, is believed to have proposed bringing in a third foreign bank as a "consultant". Citibank could join Société

Générale de France and UBS, which have already been asked to act as advisers to the Italian five-bank committee and to the Ferruzzi group, according to one banker present.

The suggestions that Ferfin may be facing serious financing difficulties came as Mr Guido Rossi, its new chairman, was questioned by Milan magistrates monitoring the rescue plan. The interrogation is believed to have concerned Ferfin's plans for Fondiaria, the big insurance company it controls through the quoted Galc holding company.

In recent weeks, minority shareholders in Galc, which is controlled jointly by Ferfin and heirs of the late Mr Camillo De Benedetti, have been complaining about a proposed Fondiaria

rights issue, which could see control of the insurer pass from Galc to Ferfin's five main creditor banks.

Whereas the Société Générale and UBS are believed to have a substantial exposure to Ferruzzi group companies, Citibank's lending is thought to be about L100bn.

The decision to bring in a third foreign bank is to quell anxieties among some of Ferfin's foreign bank creditors, which have lent around L6,500bn, regarding the rescue plan, due to be presented by end-August. Some banks, uneasy about the group's financial position and suspicious about the rescue, are believed to have sharply reduced their credit lines, affecting Ferfin's operations.

Thames TV in £20m BBC deal

By Raymond Snoddy in London

THAMES Television, the independent television production company that lost its ITV franchise, has struck a deal with the BBC worth more than £20m (\$29.8m) over three years. At the heart of the deal is *This Is Your Life*, a programme that started life at the BBC 38 years ago, moved to ITV and will now move back to the BBC

in autumn 1994. The programme's simple formula is to take a celebrity by surprise, and tell his or her life story through friends and family.

Thames, recently bought by Pearson, owner of the Financial Times, has been attracting audiences of 12m to 14m for the programme. But ITV said yesterday it felt unable to commit itself to the long-term deal that Thames was seeking. The production company is already

selling £40m of programmes to ITV this year.

"ITV is now keen to commission more programmes which have an appeal for to young up-market viewers, as well as to for its established audience," said the ITV Network Centre. It is nudging its channel up-market at the very time the BBC is rediscovering the need to appeal to a broad audience to protect its universally imposed licence fee.

Capital spending on plant and property fell from £492m to £467m. BT denied that there had been a decision to invest less at home following the company's recent \$4.3bn purchase of a stake in MCI, the second largest US carrier. It said that two thirds of UK customer lines were now connected to digital telephone exchanges.

In June, BT employed 169,500 people, down 1,200 in the quarter.

Polish seat plant to cost \$50m

By John Griffiths

FORD is investing \$50m in a green field operation in Poland to make seat covers for export to its own car plants and other European vehicle producers. The plant at Pionsk, some 60 miles north-west of Warsaw, is planned to come on stream in 1994 and will employ up to 1,000 people.

The Pionsk facility is the third manufacturing venture by Ford in central Europe since mid-1992.

Until last year, Ford had been among the more cautious of western vehicle producers in

establishing a production presence in the region.

However, it has identified Poland, Hungary and the former Czechoslovakia as offering the best potential for Ford's strategy to establish a stronger presence in the emerging economies of central and eastern Europe.

Earlier this month, it acquired Autopal, a Czech components manufacturer specialising in automotive lighting and heat exchanger equipment including air conditioning.

That acquisition provided Ford, for the first time, with an in-house capability

to produce lighting in Europe. Initially, it is expected to produce 600,000 sets of covers a year for Ford Escort and Orion models.

Starting in 1995, production is planned to rise to 1.1m a year with the addition of supplies for the Ford Fiesta.

● Ford is to build a \$50m technical centre near Tokyo with the aim of strengthening its ability to supply US-produced components to Japanese vehicle makers.

The centre, due to become operational by mid-1995, will employ 80 people.

Chrysler lifted by surge in sales

By Martin Dickson

CHRYSLER, the US car manufacturer, yesterday announced a near quadrupling of second-quarter net earnings, driven by surging sales of new products in the North American market.

The company, which two years ago was financially strained, underscored its return to financial health with net earnings of \$655m, or \$1.89 a share, compared with \$175m, or 54 cents, in the same period of last year. Sales rose to \$11.03bn from \$9.31bn.

The latest quarter included post-tax gains of \$71m from the sale of stock in Mitsubishi

Motors, the Japanese car company, and \$95m from the sale of its Acustar Plastics operation.

The company said that excluding these items its pre-tax profits totalled \$951m, its highest quarterly total.

Mr Robert Eaton, the chairman, said Chrysler had an extremely strong quarter marked by "tremendous market acceptance for our new products". Retail sales of minivans, trucks and Jeep vehicles remained strong and growing demand for the company's new LH range of cars - the Dodge Intrepid, Eagle Vision and Chrysler Concorde - had added to profits and market share.

The company had continued to focus on better quality, waste elimination and continuous improvement in all areas of the business.

Chrysler's combined North American retail car and truck market share was up 2.1 points over the same quarter of 1992.

The group's financial services subsidiary reported net earnings of \$44m, down from \$49m last year.

For the six months, Chrysler reported a net loss of \$3.47bn, or \$10.35 a share, against earnings of \$1.65m, or 46 cents, due to a one-time non-cash charge of \$4.68bn for a change in accounting for retiree health-care.

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Tandem cuts workforce by 15%

By Louise Kehoe
in San Francisco

TANDEM Computers, the latest victim of computer industry turmoil, plans to cut its workforce by about 15 per cent in a restructuring.

The company took a \$451m third-quarter charge and reported an operating loss. Between 1,600 and 1,800 jobs will be lost over the next 12 months.

The announcement follows Tandem's recent introduction of a new range of smaller, more powerful, parallel computer systems and servers with significantly lower prices than its previous products.

The cuts were necessary "to bring the company's cost structure in line with the new highly competitive pricing model," Tandem maintained.

"There are two challenges in

the computer industry: ongoing economic weakness in international markets, and a fiercely competitive environment created by low priced products and heavy discounting," said Mr James Treybig, president and chief executive.

"To become a low-price provider requires that we adopt a new business model if we are going to achieve our profitability goals. This requires more than just cutting costs; it requires re-engineering the business, changing our culture, and continuously reducing our cost structure."

Since the end of the third quarter, Tandem has reduced its workforce at several locations, including its European subsidiaries. By the end of the current quarter, 700 employees will have been laid off, the company said.

Tandem also cut the pay of



James Treybig: emphasised need to reduce cost structure

remaining employees by 5 per cent and reduced benefits. "This is not a temporary measure, but a permanent shift in our salary structure," it said.

Tandem recorded third-quarter net losses of \$549.5m, or \$4.88 a share, after the restructuring charges. Operating losses for the quarter were \$44m. In the same period last year, it earned \$17.4m, or 16 cents.

Revenues declined to \$475.6m from \$503.2m a year ago, due to weak economic conditions, particularly in Europe, and customers' hesitation to purchase current products in anticipation of the recent introduction of low-cost computers, Tandem said.

"Fortunately, we have been implementing a product strategy that will take us [through] the '90s. Last week we announced new products which, coupled with our restructuring, will, we believe, lead to greatly improved earnings per share in the next fiscal year," said Mr Treybig.

Kodak chief cautiously optimistic on outlook

By Martin Dickson
in New York

EASTMAN KODAK, the photographic products company in the throes of restructuring, yesterday reported a 3 per cent increase in second-quarter net income and struck a cautiously optimistic note for the rest of the year.

Mr Kay Whitmore, chairman, said the second-quarter and first-half results were a "satisfactory beginning" consistent with the company's plan to improve its performance this year.

"We continue to believe the company will generate moderately higher sales this year, solid earnings from operations, and positive cash flow."

He also reported "good progress on development of plans that will improve our operating effectiveness, our cash flows and our ability to pay down debt". Kodak has already announced plans to spin off its Eastman Chemical business.

Second-quarter net earnings of \$371m, or \$1.13 a share, compared with \$361m, or \$1.11, in the same period last year.

The figures were held back by \$12m of extraordinary charges for the early retirement of debt and include \$79m in earnings from Eastman Chemical. Sales totalled \$4.27bn, against \$4.29bn.

Mr Whitmore described the results as "better than expected", and the company's shares rose \$1 to \$32 in morning trading on Wall Street.

Encouraging signs, he added, were an excellent operating margin of nearly 34 per cent in the imaging business and improvement in the rate of earnings in the information operations, from a negative 3 per cent a year ago to a positive 5 per cent in the most recent quarter.

For the six months, the company suffered a loss of \$1.66bn, or \$5.05, after first-quarter charges of \$3.17bn for accounting changes. In the first half of last year it made \$606m, or \$1.55.

Digital recovery slower than expected

By Louise Kehoe

DIGITAL Equipment reported increased earnings for its fourth quarter as the US computer manufacturer recovered from last year's heavy losses.

Digital's directors warned, however, that because of the uncertain economic outlook "we remain very cautious about our ability to maintain profitability for the seasonally soft first quarter".

In contrast to its rival, IBM, Digital's operating performance has improved, but it has failed to meet Wall Street expectations. Analysts' projections

were set at around \$1.06 per share.

Net earnings for the fourth quarter came out at \$1.13, or 85 cents per share. This compares with a net loss of \$1.86bn, or \$14.78, last year when Digital took a \$1.5bn restructuring charge.

Revenues for the quarter were \$3.91bn, up slightly from last year's \$3.90bn.

For the year, the company recorded a net loss of \$251.3m, or \$1.93 a share, compared with a net loss of \$2.8bn, or \$22.39, in fiscal 1993. Revenues advanced to \$14.4bn from \$13.9bn. The 1993 losses

included a one-time charge of \$485.5m for accounting changes, plus the \$1.5bn restructuring charge.

Mr Robert Palmer, president and chief executive, pointed to "a continued, significant improvement in our overall operating results both for the quarter and the full year".

"While I am not satisfied with any loss, my confidence in Digital's future is fuelled by the improvements we have been able to achieve over the past three quarters," he said.

Since Mr Palmer joined Digital last year, the company has posted a cumulative net profit

of \$9m, he noted.

"With our new customer-focused business unit structure now in place, we are poised to grow revenues and increase our market share, while continuing to work diligently to reduce our costs," he added.

Notwithstanding the seasonally soft September quarter, Mr Palmer was confident that Digital was poised for resurgence.

Digital said it achieved some "slight" revenue growth in the US with stronger growth throughout Asia, during the fourth quarter. However, it added that its European business was weak.

Xerox agrees to \$160m disposals

XEROX, the US office equipment group, has agreed to Furman Selz Holding management group and a group of its employees acquiring Furman Selz from Xerox Financial Services, Reuter reports. Furman Selz was bought by Xerox Financial Services in 1987.

Completion of the deal, plus an agreement to sell the Shields-Regent businesses of Furman Selz to Alliance Capital Management, is expected to yield \$160m to Xerox, which will use to pay off debt.

Petrobras improves to \$269m

PETROBRAS, Brazil's state oil monopoly, yesterday raised net profits to \$369m for the first six months of 1993 as it benefited from cost-cutting measures. AP-DJ reports from Rio de Janeiro.

The result was a sharp improvement from 1992, when profits totalled just \$36m in the first half and \$56m for the year.

Gross earnings in the first six months were \$9.3bn, and investments totalled \$1bn.

Mr Jose de Melo, assistant

financial director, said the improved performance was due to cuts in operational and financing costs.

He said that Petrobras had restructured its debt profile from short-term to long-term.

An audit by the independent firm Ernst Young, Sotec in June had put the company's debt at \$4.7bn, including \$3bn in short-term obligations.

Mr Melo said Petrobras' debt in June totalled \$4.5bn, up from \$4.2bn at the same time last year.

The Brazilian government owes Petrobras \$3.85bn.

Mr Paulino Cicero, mines and energy minister, said that retail fuel prices, which are set by the government, were 42 per cent below what they should be. Increases have been delayed to avoid stoking up inflation, currently running at 30 per cent a month.

Petrobras produces daily about 653,000 barrels of oil and 19m cubic metres of natural gas.

Earnings in 1992 were \$14bn.

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INTERNATIONAL COMPANIES AND FINANCE

Du Pont below expectations for second period

By Karen Zagor
in New York

DU PONT, the leading US chemicals group, yesterday posted disappointing second-quarter figures, with declining underlying earnings from all of its main businesses except petroleum.

In the three months to June 30, the group had net income of \$616m, or 76 cents a share, compared with earnings of \$777m, or 41 cents, in the same period of 1992. Stripping out one-time items in both years, earnings rose 11 per cent in the quarter.

At midday, on Wall Street, shares in Du Pont had fallen 1 1/2 to 34 3/4 in active trading. Analysts had expected earnings of about 84 cents a share.

Mr Edgar Wollard, chairman, said that without an increase in economic activity "business conditions are likely to remain difficult with excess capacity and resultant downward price pressures in our major markets."

Petroleum earnings, excluding non-recurring charges, soared 155 per cent to \$199m in the quarter. The growth in income reflected higher natural gas prices, lower exploration and other costs and stronger upstream earnings on new oil and gas production outside the US.

The chemical division's earnings fell 4 per cent to \$91m, largely due to lower earnings for white pigments and specialty chemicals. Fibre earnings declined 37 per cent to \$107m, while polymer division earnings were 14 per cent lower at \$107m. The diversified businesses unit saw earnings drop 15 per cent to \$151m, stripping out a non-recurring charge in 1992.

For the first half, Du Pont earned \$1bn, or \$1.49 a share, earlier, the company took accounting charges of \$4.8bn which contributed to a net loss of \$4.12bn, or \$6.13.

Excluding non-recurring items, earnings rose 15 per cent in the first six months of 1993.

Cost-cutting target raised at Union Carbide

By Karen Zagor

UNION Carbide, the US chemicals group, yesterday said it would step up its cost-cutting measures by increasing its annual cost reduction target to \$75m, measured in 1990 dollars, from \$40m.

Earlier this year, Carbide said it was a year ahead of schedule in its efforts to reduce annual costs by \$40m.

Mr Robert Kennedy, chairman, said the company could save money by looking closely at inventory control, production, distribution and maintenance.

Carbide is still feeling the pressure from tight margins in the polyethylene and ethylene glycol markets.

For the second quarter, Carbide posted net income of \$41m, or 24 cents a fully diluted share, compared with \$79m, or 48 cents, a year earlier. Sales slipped to \$1.34bn from \$1.26bn.

Carbide's income from continuing operations was \$41m in the quarter, compared with \$55m.

For the first half, the group had net income of \$83m, compared with a net deficit of \$216m including one-time items. Income from continuing operations rose to \$83m, against \$78m. Sales were flat at \$2.44bn.

Carbide said that its 1993 earnings would be reduced by about \$60m to \$100m, reflecting additional severance costs related to the extended cost-reduction programme and charges for the adoption of accounting standards for post-employment benefits.

Scott Paper of the US is to pay \$3m to settle a class action lawsuit by shareholders, Reuters reports.

Scott said its insurer would also pay the shareholders \$5m. In a lawsuit filed in September 1990, the shareholders alleged the company did not disclose in a timely manner certain material facts about 1990 earnings. Scott said lawyers for the class had conceded that no deliberate or intentional wrongdoing was involved.

UNP setting its sights on pole position

Canadian group has spent C\$9m on former Polish state companies, writes Bernard Simon

WHEN International UNP Holdings was a junior exploration group on the Vancouver stock exchange, the abbreviation in its name stood for United Northern Petroleum. Mr George Bonar, UNP's chairman and chief executive, now mischievously tells inquirers the initials come from three Polish words meaning "beloved new Poland".

The remark is only half in jest. UNP has emerged from obscurity on Canada's west coast to become an active western investor in Poland.

It has spent C\$9m (US\$7m) over the past two years buying control of three privatised Polish companies: this, the country's biggest maker of bakery equipment; BIAWAR, the leading manufacturer of hot-water heaters; and Unipak (formerly GNIENZO), the dominant maker of packaging equipment. In each case, the remaining shares continue to be held by the state.

UNP, which recently moved its head office from Toronto to London, aims to negotiate about four new investments a year as the privatisation of Polish state-owned enterprises proceeds. Mr Bonar has his eye

on makers of clothing, building materials and food processing machinery, among others.

He is also setting up a partnership with Murray Johnstone, the Scottish fund manager, to manage investment trusts with interests in privatised Polish companies.

UNP is listed on the Toronto and Vancouver stock exchanges. It is thinly traded

to spot sound investments among Poland's state-owned enterprises, then to negotiate their privatisation and turn them into market-driven companies.

Mr Bonar, who was born in Poland and speaks the language, was formerly chief executive of Eldorado Nuclear, a Canadian uranium processing company. Before that, he was in charge of marketing at Falconbridge, the international nickel producer.

Mr Bill James, his former boss at Falconbridge, remembers Mr Bonar as a "pretty shrewd guy". Another former colleague says the expansive Mr Bonar, now 59, left Falconbridge after disagreements over his ambitious plans for the marketing department. "He was maybe too innovative," the ex-colleague says.

UNP has set its sights on a group of between 4,000 and 6,000 mid-sized manufacturers which have been neglected in the stampede by foreign and domestic investors for a slice of the Polish privatisation pie.

Mr Bonar is adamant he will not - at least for the time being - become involved in competitive bidding for state-owned enterprises. "If I find

competition, I walk," he says. "I don't need to buy the company that makes cups and saucers. I can get the company that makes spoons."

This, he says, explains why UNP has so far paid a modest multiple of 1.5 times pre-tax cash-flow for its investments.

Its targets are the less glamorous companies with fewer than 1,000 workers, high labour

with the government. Only a handful of changes have been made in the three companies UNP has bought. "If I have to chop three or four members of senior management, I've made a bad business decision," Mr Bonar says.

In spite of the good track record, there is no shortage of risk. UNP's latest prospectus lists 11 things that could go awry, from the unpredictable timing of negotiations with the Polish government, to Polish accounting standards and a volatile currency. It cautions that UNP's securities are "speculative".

But Mr Bonar is confident that Poland is undergoing a "fundamental systemic change" which will present enormous opportunities.

He predicts the Polish elections on September 19 will improve political stability by eliminating most of the 23 parties vying for office.

As evidence that UNP is in the right place at the right time, Mr Bonar notes that a leading US hot-water appliance maker has shown an interest in buying all or part of the 96 per cent stake in BIAWAR which UNP acquired only nine months ago.

George Bonar, UNP chairman and chief executive, stresses that he will not become involved in competitive bidding

content, low brand visibility, and with little dependence on high-technology. But, like the three which UNP has bought so far, they are likely to have a dominant market share.

Mr Bonar is also seeking companies run by managers who can adapt to a free-market economy. He has a chance to evaluate a company's management during the period, usually six months to a year, that it takes to negotiate a deal

The group aims to negotiate about four new investments a year as the Polish privatisation programme proceeds

because 92 per cent of its stock is held by 24 blue-chip institutional investors in North America and Europe. Led by J.P. Morgan (which has put in C\$5m) and Morgan Stanley, they have contributed a total of C\$27m in capital.

Another equity issue, which Mr Bonar hopes will bring in C\$5m to C\$10m from six more institutions, is in progress.

UNP's prospects depend heavily on Mr Bonar's ability

PWA loss widens to C\$44m

By Robert Gibbons
in Montreal

PWA, parent of Canadian Airlines International, yesterday unveiled a sharply higher second-quarter loss.

However, the group said its financial restructuring was falling into place and its operating performance had improved.

Net loss before restructuring costs was C\$44.3m (US\$34.7m), against a loss of C\$33.8m a year earlier. However, including charges totalling C\$85.7m, the final loss came out at C\$130.6m, or C\$2.73, compared with a deficit of C\$34.4m, or 74 cents. The year-earlier loss included C\$34.8m special gain.

For the first half, the group's final loss was C\$237.7m, or C\$4.97 a share, against one of C\$108.3m, or C\$2.30, a year earlier.

Second-quarter operating revenues rose 3 per cent to C\$727m. In the first half they rose 1 per cent to C\$1.4bn.

Domestic capacity was trimmed by 11.5 per cent, raising the domestic yield by 9.6 per cent, while international traffic was higher. Total traffic was up 1.3 per cent and the yield per passenger mile improved slightly. Operating expenses were more closely controlled.

PWA said the latest C\$85.7m restructuring charge included a provision for a C\$37.5m foreign exchange loss. All foreign debt is now being translated at current exchange rates.

The balance covered debt rescheduling and moves to complete a C\$248m equity injection by American Airlines in Canada.

This deal is being held up by a court dispute over Canadian's joint interest with rival Air Canada in the Gemini reservation system. Canadian must dispose of this before the American Airlines deal can go through.

Mr Rhys Eytan, chairman, said more than 70 per cent of senior creditors had signed the debt restructuring agreement and the rest should accept in the next few weeks. "We're working towards a satisfactory resolution of the Gemini issue," he said.

The centrepiece of the restructuring is conversion of C\$700m of debt into equity. The whole plan is due to go before shareholders and debenture holders by mid-September.

However, two companies have demanded immediate repayment of C\$109m of subordinated debt. In all, PWA wants to restructure more than C\$5bn of debt.

Subsidiaries help to lift Mexican conglomerate

By Damien Fraser
in Mexico City

GRUPO Carso, Mexico's largest industrial conglomerate, reported an 11.8 per cent increase in profits to 688m new pesos (\$214m) in the first half, after improved performance at industrial subsidiaries, Naboca, Cigatam, Condumex, and Aluminio.

The company owns a controlling stake in Telmex, Mexico's telephone monopoly, which last week reported a 12.9 per cent increase in second-quarter profits. Telmex contributed a third of Carso's net profits.

Carso recorded a 43 per cent increase in sales to 4,701m pesos, but this was due to consolidation of results at subsidiaries and an increased stake in Frisco, the mining concern.

Underlying sales fell, as the company cut unprofitable lines at Condumex and Naboca, according to Baring Research in Mexico City.

The rationalisation boosted margins and helped push up operating profits to 819m pesos in the first half, a 71.3 increase. Profits were given a strong lift by the improved performance of Cigatam, the cigarette company, which according to Carso has gained market share at the expense of its rival, La Moderna.

Frisco told the Mexican stock market that it had re-opened the silver mine Real de Angeles, which had been closed earlier in the year due to low silver prices. Real de Angeles produced 8.1m troy ounces of silver last year, 1.8 per cent of world output.

REPUBLIC NATIONAL BANK OF NEW YORK

A SUBSIDIARY OF REPUBLIC NEW YORK CORPORATION
Consolidated Statements of Condition

Assets	June 30,		Liabilities and Stockholder's Equity	June 30,	
	1993	1992		1993	1992
Cash and due from banks.....	\$ 426,980	\$ 387,260	(Dollars in thousands)		
Interest-bearing deposits with banks.....	9,958,974	9,869,061	Noninterest-bearing deposits:		
Precious metals.....	899,974	982,444	In domestic offices.....	\$ 913,752	\$ 750,493
Securities held for investment.....	10,637,041	8,551,921	In foreign offices.....	97,277	82,440
Securities available for sale.....	78,294	-	Interest-bearing deposits:		
Total investment securities.....	10,715,335	8,551,921	In domestic offices.....	4,268,171	4,457,089
Trading account assets.....	700,444	649,816	In foreign offices.....	13,190,022	12,106,282
Federal funds sold and securities purchased under resale agreements.....	2,126,370	244,109	Total deposits.....	18,469,222	17,396,324
Loans, net of unearned income.....	4,099,639	4,314,800	Short-term borrowings.....	2,647,055	3,373,441
Allowance for possible loan losses.....	(183,458)	(176,375)	Acceptances outstanding.....	1,035,468	1,103,780
Loans (net).....	3,916,181	4,138,425	Accrued interest payable.....	215,508	278,553
Customers' liability on acceptances.....	1,033,757	1,095,283	Other liabilities.....	1,469,870	559,857
Premises and equipment.....	296,154	313,389	Long-term debt.....	1,939,939	1,771,396
Accrued interest receivable.....	263,793	262,701	Subordinated long-term debt, primarily with parent.....	581,124	56,548
Investment in affiliates.....	552,449	541,728	Stockholder's Equity:		
Other assets.....	865,307	388,996	Common stock, \$100 par value:		
Total assets.....	\$26,317,626	\$26,625,233	4,800,000 shares authorized;		
			3,550,000 shares outstanding.....	355,000	355,000
			Surplus.....	1,160,626	1,160,626
			Retained earnings.....	443,973	399,910
			Total stockholder's equity.....	1,959,441	1,855,564
			Total liabilities and stockholder's equity.....	\$26,317,626	\$26,625,233
			Letters of credit outstanding.....	\$ 1,386,719	\$ 1,261,077

REPUBLIC NEW YORK CORPORATION

Summary of Results
(In thousands except per share data)

	Six Months Ended June 30,		Three Months Ended June 30,	
	1993	1992	1993	1992
Net income.....	\$ 143,673	\$ 124,303	\$ 74,928	\$ 63,899
Cash dividends declared on common stock.....	\$ 28,900	\$ 25,083	\$ 14,206	\$ 13,079
Per common share:				
Net income.....	\$ 2.48	\$ 2.12	\$ 1.30	\$ 1.08
Primary.....	\$ 2.41	\$ 2.09	\$ 1.26	\$ 1.06
Fully diluted.....	\$.54	\$.50	\$.27	\$.25
Cash dividends declared.....				
Primary.....	\$2.287	\$2.069	\$2.336	\$2.118
Fully diluted.....	\$2.127	\$2.076	\$2.201	\$2.024

World Headquarters: Fifth Avenue at 40th Street, New York, New York 10018
(34 offices in Manhattan, Bronx, Brooklyn, Queens and Westchester & Rockland counties)
Member Federal Reserve System/Member Federal Deposit Insurance Corporation/Member New York Clearing House Association

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SWITZERLAND
FORWARD SURVEY PROGRAMME 1993Zurich Traveller 12 October
Swiss Banking 15 November

For further information, please contact:
Nigel Bicknell or Simone Egli,
Financial Times (Switzerland) Ltd.,
15 rue de Cendrier CH - 1201 Geneva.

Tel: 022/731.16.04
Fax: 022/731.94.91
Ernst Jenny in Schwanden
Tel: 058/81.30.70
Elizabeth Vaughan in London
Tel: 071/873.34.72
Fax: 071/873.34.28

FT SURVEYS

BANK OF CHINA
U.S. Dollar Floating Rate Notes due July 1996
- WKN 478 543 -

In accordance with the Conditions of the Notes, notice is hereby given that for the interest period July 25, 1993 to January 25, 1994 (184 days) the Notes will bear interest at the rate of 3.5625% per annum. The coupon amount per U.S.\$ 10,000 Note will be U.S.\$182.06 and per U.S.\$100,000 Note U.S.\$1,820.63. The Interest Payment Date will be January 25, 1994.

In July 1993

Deutsche Bank
Aktiengesellschaft

NOTICE OF REDEMPTION

ALLCO INTERNATIONAL LIMITED
Guaranteed Floating Rate Notes 1996

ALLCO INTERNATIONAL LIMITED (the "Company") is a company incorporated in the Cayman Islands. The Company is a subsidiary of ALLCO GROUP LIMITED (the "Group").

The Company has issued to the holders of the Notes, as a result of the issue by the Company of 5,700,000 common stock of the Company, described in the Notice given to the holders of the Bonds on 27th April, 1993, the existing Conversion Price per share of preferred stock of the Company has, pursuant to the provisions of the Trust Deed constituting the Bonds, been adjusted from W19.019 to W17.744 with effect from 20th May, 1993.

July 29, 1993, London

By: Citibank, N.A. (Issuer Services)

ECU 300,000,000

Kingdom of Belgium
Floating Rate Notes due 2000

For the period from July 29, 1993 to October 29, 1993 the Notes will carry an interest rate of 8 1/4% per annum with an interest amount of ECU 2,084.38 per ECU 100,000 Note.

The relevant interest payment date will be October 29, 1993.

Agent Bank:
Banque Paribas Luxembourg
Société Anonyme

BANQUE NATIONALE DE PARIS

USD 250,000,000 floating rate

due 1997 applicable interest

rate for the interest period from

26.07.93 up to 26.10.93 as

determined by the reference

agent is 3.5625 per cent per

annum namely USD 910.42 per

bond of USD 100,000

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FINANCIAL TIMES

MAGAZINE

Financial services hold Imasco back in second quarter

By Robert Gibbons in Montreal

IMASCO, the Canadian financial services, tobacco and food retailing group in which BAT Industries of the UK has a 40 per cent stake, reports slow second-quarter profits following a reduced contribution from financial services.

There was a continued recovery in the US fast-food business and better results from tobacco products and drug stores, but net income for the quarter could only emerge at C\$94.6m (US\$74m), or 73 cents a share, against C\$94.6m, or 73 cents, a year earlier.

Net revenues for the quarter were little changed at C\$2bn. First-half earnings were C\$161.8m, or C\$1.24, up 2 per cent from C\$158.5m, or C\$1.21. Six-month net revenues showed little movement at C\$3.5bn.

Mr Purdy Crawford, chairman, said the Canada Trust operations maintained a high level of provision in the six months, despite improving credit conditions and a decline in overall non-performing loans.

Retail banking results were good but Canadian demand for home mortgages remained soft.

Prospects for the current half and 1994 had improved but the financial services unit's earnings will not match 1992.

Imperial Tobacco's share of the domestic cigarette market rose to 66.9 per cent and its share of the export market is being regained. Hardee's Food Systems is controlling costs well, maintaining margins and continuing to recover, said Mr Crawford.

The drug store subsidiary maintained growth in a very competitive market.

● BCE, the telecommunications group which owns 52 per cent of Northern Telecom, plans to sell its fully-owned Case-Hoyt printing unit in the US to Avanti Press, a Miami-based graphic arts company. The price was not disclosed.

BCE bought Case-Hoyt as part of a major diversification into commercial printing in 1984. Since then it has divested the other printing units. Case-Hoyt has annual sales of US\$60m and is profitable.

BCE's non-telecom interests are now confined to property group, BF Realty, and its Montreal Trust financial services unit which has assets in excess of C\$50bn.

Bangkok Bank lifts profits by 34%

by William Barnes in Bangkok

BANGKOK BANK, which dominates banking in Thailand, reports a 34 per cent increase in second-quarter net profit to Bt3.26bn (US\$193m) compared with 1992's second quarter. Earnings per share rose from Bt2.44 to Bt3.28.

An analyst with Crosby Research in Bangkok said the results showed that "margins are holding up and the outlook for the sector is pretty good".

Thai Military Bank, the sixth-largest in Thailand, increased second-quarter profits by 97 per cent to Bt768.6m. The bank took Bt400m loan loss provisions in the second quarter last year. Earnings per share rose 74.8 per cent to Bt1.8.

Earlier this year, Bank of Thailand, the central bank, publicly complained about the width of spreads between the banks' deposit and lending interest rates.

Bank of Thailand pointed out that average spreads had grown steadily to a record 3.86 percentage points in the first quarter of this year. This, it said, could hamper economic activity.

Sale charge and falling prices push Noranda into red

By Robert Gibbons

NORANDA, the big Canadian resource group, has run into the red with a first-half loss of C\$30m (US\$23.4m), or 32 cents a share, against profits of C\$45m, or 10 cents, last time.

The group has been hit by declining commodity prices and a C\$30m charge on the sale of its 49 per cent stake in MacMillan Bloedel. Revenues were C\$2.6bn, down from C\$4.3bn, reflecting the MacMillan Bloedel disposal.

The second-quarter loss this year equalled 7 cents a share against a profit of 9 cents. The lower Canadian dollar and lower interest expense partly offset weak prices for metals, papers and oil and gas.

The sale of the MacMillan stake has reduced Noranda's long-term debt to C\$2.8bn.

● Loblaw, Canada's biggest grocer, had a second-quarter profit of C\$24.3m, or 28 cents a share, up from C\$10.8m, or 11 cents. Sales were C\$2.16bn, against C\$2.12bn. Price competition in western Canada and a US strike hurt results.

● Torstar, the publishing group, earned C\$2.6m, or 6 cents a share, in the second quarter, down from C\$12.6m, or

21 cents. Revenues were C\$229m, against C\$218m. A weak advertising market adversely affected the Toronto Star newspaper, while books improved slightly.

● Fletcher Challenge Canada earned C\$6.1m, or 5 cents a share, in the fourth-quarter to end-June, against a loss of C\$30.1m, or 30 cents, a year earlier. For all 1993, FCC made a loss of C\$43.5m, on revenues up 28 per cent at C\$1.23bn.

● Falconbridge, Canada's second biggest nickel producer, has sold its 52 per cent control of Falconbridge Gold, its remaining gold mining subsidiary, for C\$22m. The buyer is Kinross Gold, a new Toronto mining group, for C\$22m. With the deal go producing mines in Zimbabwe and at Timmins in northern Ontario.

Kinross is buying 8.2m Falconbridge gold common shares and a C\$74 m convertible debenture. Kinross is 25 per cent held by Placer Dome and 23.5 per cent by Dundee Bankcorp. The two companies will have 1993 gold production of about 150,000 oz.

Kinross has said it would like to buy the remaining 38 per cent of Falconbridge Gold.

This announcement appears as a matter of record only.



International Bank for
Reconstruction and Development
Washington, D.C.

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July 1993

Depreciation costs hit Philippine Airlines

By Jose Geling in Manila

PHILIPPINE Airlines, the national airline which was privatised at the beginning of 1993, reports reduced profits for the year to March 1993 following a steep increase in depreciation charges.

Net income for the year dipped by close to 5 per cent to 1,030m pesos (US\$76m) from the previous year. Revenues moved ahead marginally to 24,430m pesos, against 24,410m pesos last time.

Philippine Airlines said earnings would have been higher but for heavier depreciation which for last year took in depreciation on appraisal increments. Without this, profits would have been some 40 per cent

higher, the company said. Expenses amounted to 23,010m pesos, up 8 per cent. This, together with the higher depreciation charge, left operating profits flagging badly at 1,410m pesos - down 57 per cent on 1991-92.

The airline's assets at the end of March totalled 24,190m pesos, up 11.5 per cent. Total liabilities were 33 per cent higher at 13,440m pesos. The airline said its net worth grew over the year by 12.5 per cent to 9,150m pesos.

During the year Philippine Airlines pushed through a reorganisation which reduced the per value of its shares from 10 pesos to 5 pesos. The airline said the move helped wipe out accumulated deficits of 50n pesos.

COMPANY NEWS IN BRIEF

Austrian savings bank has strong first-half result

DIE ERSTE Oesterreichische Spar-Casse Bank said its operating profit in the first half jumped 47 per cent to Sch724m (US\$69.8m), due to much better income from lending and trading as well as reduced costs, writes Ian Rodger in Zurich.

The bank, which converted itself into a joint stock company last month, reported total assets of Sch184.7m, 2.4 per cent higher than at the end of last year.

Mr Konrad Fuchs, chief executive, said negotiations aimed at restructuring Austria's savings bank sector, in which Erste is playing a leading role, were entering an intensive phase. But he declined to speculate on the outcome.

● Huttons Kiwi, part of the Brierley group, is buying 18.4 per cent of Asian New Zealand Meat for NZ\$80m, writes Terry Hall in Wellington. Asian NZ, which is 65 per cent owned by the farmers co-operative, the New Zealand Meat Producers Board, is New Zealand's biggest exporter of meat related products to Japan. Huttons Kiwi, which was partially floated to the public in October, is financing the deal through a share issue.

● Grupo Industrial Masaca,

Mexico's leading corn flour maker, reports net profits of 38,248m new pesos (US\$1.65m) in the second quarter, a better-than-expected 19.7 per cent increase in real terms compared to the same period last year, writes Damian Fraser in Mexico City.

Masaca is one of Mexico's largest consumer food companies, and the biggest seller of corn flour, out of which is made the tortilla. It is currently expanding capacity, having just opened a new plant in Guadalajara, Mexico's second largest city. Masaca's margins also increased from 14.3 per cent to 16.25 per cent in the second quarter.

● Ecuatoriana de Aviacion, Ecuador's state airline, is to be the first company in the government's economic reform programme to be privatised, writes Raymond Collett in Quito.

A newly-formed corporation is to replace the debt-laden airline. It is to take over the operation within 60 to 90 days. Some 60 to 70 per cent of its shares are to be sold.

International airlines as well as Ecuadorian entrepreneurs have shown interest in buying shares. The airline has routes to New York and Miami.

FOR UP-TO-THE-MINUTE CURRENCY RATES DIAL:

0839 353530
(Sterling Rates)

0839 353531
(US Dollar Rates)

FINANCIAL TIMES
CITYLINE
Rates given against 22 major currencies



World International (Holdings) Limited
1992/93 Results Announcement

“A year of considerable progress in line with a forward-looking strategy”

Peter Kwong-Ching Woo, Chairman

Summary of Group Results

Year ended 31st March:

	1993 HK\$ Million	1992 HK\$ Million
Turnover	2,205.2	1,899.2
Operating profit before exceptional item	407.3	279.1
Exceptional item	—	(29.1)
Operating profit after exceptional item	407.3	250.0
Share of profits less losses of associated companies	1,318.5	876.7
Profit before taxation	1,725.8	1,126.7
Taxation (Note 2)	(205.3)	(107.9)
Profit after taxation	1,520.5	1,018.8
Minority interest	(32.2)	(42.3)
Group profit attributable to Shareholders	1,488.3	976.5
Appropriations:		
Interim dividend (paid)	(153.9)	(133.2)
Final dividend (proposed)	(430.4)	(368.7)
Transferred to revenue reserve	884.0	474.6
Earnings per share (Note 3)	71.6 cents	47.7 cents
Dividend per share - Interim (paid)	7.5 cents	6.5 cents
Dividend per share - Final (proposed)	21.0 cents	18.0 cents
- Total	28.5 cents	24.5 cents

Notes:

(1) The year's profit includes the Group's share of a full year's results of a major associate, The Wharf (Holdings) Limited ("Wharf"), whereas the preceding year's profit included the Group's share of the results of Wharf for the nine-month period ended 31st December, 1991 only, as a result of a change of Wharf's fiscal year end from 31st March to 31st December with effect from the fiscal period ended 31st December, 1991. The effect of this factor should be taken into consideration when comparing the year's profit figures with the previous year's.

(2) The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 17.5% (1992 - 16.5%). Overseas taxation is calculated at the rates of tax applicable in countries in which the Group is assessed for tax. The taxation charge is made up as follows:

	1993 HK\$ Million	1992 HK\$ Million
Company and subsidiaries		
Current taxation	—	—
Hong Kong profits tax	54.2	14.3
Associated companies		
Current taxation	194.0	60.1
Hong Kong profits tax	6.2	4.9
Overseas taxation	(49.1)	28.6
Deferred taxation	151.1	93.6
	206.3	107.9

(3) The calculation of earnings per share is based on earnings for the year of HK\$1,488.3 million (1992 - HK\$976.5 million) and 2,049.7 million (1992 - 2,048.5 million) ordinary shares in issue during the year.

Purchase, Sale and Redemption of Shares
Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the financial year.

Annual General Meeting
The Annual General Meeting of the Company will be held on Monday, 27th September, 1993.

Book Closure

The Register of Members will be closed from 20th to 27th September, 1993, both days inclusive. Subject to shareholders' approval, the final dividend will be paid on 4th October, 1993.

By Order of the Board

Wilson W. S. Chan

Secretary

Hong Kong, 23rd July, 1993

- 50% increase in earnings per share
- 30% increase in net asset value
- Substantial reduction in price-earnings multiple
- Success in Hong Kong property development from well timed strategy
- Effective entry into South China property market
- Higher profit and turnover for new-look Lane Crawford
- New trading opportunities for revitalised Wheelock Marden
- Wharf's 20% profit growth and 31% asset growth
- Proactive initiatives from low financial gearing

European sector anticipates German official rate cut

...and the National Power Corpo-

ear-collared floating-rate notes, with a maximum coupon of 8% per cent and a minimum

a) to convert. Coupon pays 6-month Libor + 0.25%; minimum 8.5%, maximum 9.5%. b) J.A. Devenish and amount shown is the maximum that will be issued. Conversion price: on pay 3-month Libor + 0.325%. c) Spread is over the interpolated yield curve. d) Issue 500m.

statement that the existing regulatory framework is adequate does not appear to be derived from or supported by an extensive analysis of the full range

Mr Mullins criticised the G80 for not addressing the need to follow-up its recommendations

Three Filipino borrowers line up Eurobonds

ELI'S

Fed chief responds to G30 derivatives report

MR David Mullins, vice-chairman of the US Federal Reserve Board, yesterday told a group of young men associ-

report helped to clarify understanding of the new financial instruments, their complexity and diversity made their mea-

try would require far more than the status quo. His was the first official reaction by the US central bank to the Group

Mr Mullins, speaking to the International Swap and Deriva-

probability of a systemic disturbance or of its potential costs."

Mr Mullins criticised the G30

does not appear to be derived from or supported by an extensive analysis of the full range of options available for addressing the need to follow-up its recommendations to date.

LIFE EQUITY OPTIONS

System	DALLS				PUTS			
	Aug	Sep	Feb	Mar	Aug	Sep	Feb	Mar
000	380	34	58	71%	42	58	38%	
001	380	34	58	71%	42	58	38%	
002	425	28	31	44%	44	18	18	
003	460	9	20	34	16%	25	11%	
004	380	16%	27	34%	4	11	15%	
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Jan	750	22	46%	86	7	22%	31	Jan
Feb	750	22	46%	86	7	22%	31	Feb
Mar	750	22	46%	86	7	22%	31	Mar
Apr	750	22	46%	86	7	22%	31	Apr
May	750	22	46%	86	7	22%	31	May
Jun	750	22	46%	86	7	22%	31	Jun
Jul	750	22	46%	86	7	22%	31	Jul
Aug	750	22	46%	86	7	22%	31	Aug
Sep	750	22	46%	86	7	22%	31	Sep
Oct	750	22	46%	86	7	22%	31	Oct
Nov	750	22	46%	86	7	22%	31	Nov
Dec	750	22	46%	86	7	22%	31	Dec
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2046	750	22	46%	86	7	22%	31	2046
2047	750	22	46%	86	7	22%	31	2047
2048	750	22	46%	86	7	22%	31	2048
2049	750	22	46%	86	7	22%	31	2049
2050	750	22	46%	86	7	22%	31	2050
2051	750	22	46%	86	7			

1.54	1.92	11	Inflation rate 5%	Up to 5 yrs.	2.84	2.86	4.20
0.82	3.20	12	Inflation rate 5%	Over 5 yrs.	3.43	3.44	4.46
0.63	3.08	13	Inflation rate 10%	Up to 5 yrs.	2.08	2.07	3.45
		14	Inflation rate 10%	Over 5 yrs.	3.34	3.25	4.30
		15	Gains &	5 years	R. 80	2.42	10.60

Compensation question at Brent Walker

By Maggie Urry

SIR KEITH Bright, chairman of Brent Walker, told shareholders at yesterday's annual meeting that the group was "considering a number of possibilities with regard to the financing of William Hill", the group's betting shop chain.

He said "when these become firm we shall give you further details."

Although questions from shareholders lasted for an hour, the meeting only occasionally became heated. One shareholder asked if the board were "all dummies" when the directors were unable to answer a question about compensation to former directors.

William Hill's syndicates of banks, owed £350m, are due to be repaid on March 1 next year. Options open to the group include a full or partial sale, flotation or refinancing of the debt.

A consortium of investors, led by SG Warburg, has approached Brent Walker with a £360m leveraged offer.

Asked about that offer Sir Keith said "there are one or two people around who would like to make a turn for themselves."

Any sale of William Hill would be subject to shareholder approval. He said William Hill's turnover was "substantially" higher following the start of evening opening, but that it had had a run of bad luck lately.

Since joining the group in January he had been reviewing all its activities. He aimed to improve profitability to provide a firm base for a "sensible financial and capital structure to be evolved". The review would be completed shortly, he said, and would go to the board and the group's banks. He said shareholders would be given details of these matters as they were resolved.

Asked about the £240,000 payment in compensation to former directors, Mr John Leach, finance director, confirmed that this was a payment to Lord Kindersley, the group's former chairman who resigned in July last year.

Lord Kindersley had had a five-year, fixed-term contract and was entitled to the salary for the remaining portion of the contract, Mr Leach said. The contract was signed when Mr George Walker was still chief executive of the group.

Sir Keith has a fixed three-year contract, running to January 1996. He was initially appointed on a salary of £15,000 a month for a two-to-three day week. That was increased to £20,000 a month for a three-to-four day week. He also receives £30,000 a year in pension contributions.

The company pays 75 per cent of his salary to a company, of Sir Keith's with the rest directly to him. He has an incentive plan linked to the successful repayment of the bank's debt.

National Power says output to fall by 13%

By Michael Smith

NATIONAL POWER, the electricity generator, said yesterday it expected output to fall by 13 per cent to 95 terawatt hours this year as competition for its coal-fired plants from nuclear power and gas-fired stations increased.

The forecast reduction follows a 7 per cent fall to 109 terawatt hours last year.

Sir Trevor Holdsworth, chairman, told the company's annual meeting that it would be difficult to match profit growth of recent years. However, the current level of dividend cover provided scope for continuing increases in dividends.

Mr Brian Birkenhead, finance director, said the company intended to reduce dividend cover to about two and a half times, depending on market circumstances. Last year dividends were covered 3.1 times by earnings.

The City took news of prospective falls in market share calmly.

SG Warburg expects earnings per share growth this year to be about 10 per cent, against 15 per cent last year.

St James's Place buys fund manager

By Tracy Corrigan

ST JAMES'S Place Capital, the investment company run by Sir Mark Weinberg and Lord Rothschild, is to acquire International Financial Markets Trading, the specialist fund management company, as part of its drive to become a focused financial services company.

The move follows SJPC's unbundling of its stake in RIT Capital Partners earlier this week through a £137m cash and paper pay-out to shareholders, which reduced the size of the business by about a third.

SJPC has agreed with IFM's parent

company, Bermuda-based Walsingham, to purchase all outstanding shares in IFM for \$9m (£6m), comprising up of \$2m in book value and \$7m for goodwill. The existing management will also receive a share of this year's profits, which is likely to total some \$3m in cash based on current expectations. Net profits before tax of IFM's continuing businesses were some \$2.5m for the year ended December 31 1992.

The acquisition is subject to approval by Walsingham shareholders at a meeting on August 28.

IFM, set up in 1984 to trade its own capital, began to manage third-party funds in 1988 and currently has \$450m

under management, invested by institutions and high net worth individuals.

The company specialises in the growing area of hedge funds, which apply quantitative techniques, often using derivative instruments, to investment management.

Mr Clive Gibson, a director of SJPC, said that future acquisitions could include other fund management businesses, possibly using more conventional fund management techniques, or niche banking or stockbroking businesses.

He described the company's approach as "opportunistic", adding that any acquisitions would be "high-margin,

focused financial services businesses."

SJPC's existing interests include insurance, through J Rothschild Assurance and fund management, through J Rothschild Investment Management and Global Asset Management.

On completion of the acquisition, Sir Mark Weinberg will become chairman of IFM and Mr Gibson will join the board.

One of IFM's existing institutional investors, American International Group, the US insurance company, is engaged in discussions to acquire a minority interest in IFM from SJPC.

Excalibur incurs £6m deficit and makes boardroom changes

By Maggie Urry

PRE-TAX losses of £6.2m for the year to April 30, a halved dividend and a new position of group chief executive were announced yesterday by Excalibur, the precision engineering and jewellery group.

The outcome compared with profits of £20,000 last time, restated from £1.11m after applying FR32.

However, Mr Michael Griffiths, chairman, said decisive action had been taken to eliminate loss-making businesses, and there were plans to sell

some assets to strengthen the balance sheet, which was just over 100 per cent geared at the year end.

The shares rose 1½p to 13p. Earlier this year they had jumped on bid speculation to 20½p, but fell back when talks with a possible buyer ended in May.

Mr Richard Griffiths, the chairman's brother, is stepping down as managing director to be a non-executive, and Mr Arthur Church, is joining as group chief executive.

Group sales fell from £65.1m to £61.6m. Profits from precision engineering came to

£2.08m (£2.25m) after losses of about £500,000 at Hi-Ton. Giftware profits fell from £1.83m to £1.32m while jewellery losses rose to £1.51m (£1.14m). There were restructuring costs of £602,000 in precision engineering - where Hi-Ton will be merged with Burman on one site.

Provisions of £5.78m against the jewellery division and interest of £1.42m (£1.82m) contributed to the pre-tax loss. Losses were 10.5p (0.1p). The final dividend is halved to 0.3p to give a total of 0.5p (1p).

Courtaulds joint venture with Allied Colloids

By Zhang Tingting

COURTAULDS, the international chemical materials company, has formed a 50-50 joint venture with Allied Colloids, the specialty chemicals company, to produce Oasis, a new super-absorbent fibre.

A 28.4m plant will be built on the Courtaulds Fibres site at Grimsby. The new company will employ about 25 people and production is expected to start in late 1994.

Initial annual capacity is targeted at 1,000 tons. As demand grows, capacity can be doubled at an estimated addition of

£2m, according to Mr Peter Flesher, managing director of Allied Colloids.

Chemically similar to the polyacrylate powders currently used for their super-absorbent properties, Oasis is designed for use in disposable personal hygiene products, wrappings for optical and power cables and specialty non-woven products ranging from construction to horticultural and medical applications.

The move was seen as in line with the growing trend to diversify risks and spread the costs of research and development in the industry.

INVESTMENT TRUST DIGEST

Continental Assets net value up 11%

CONTINENTAL ASSETS Trust reported a net asset value of 189.8p as at June 30, a year-on-year advance of some 11 per cent.

The figure after dilution for outstanding warrants showed a 10 per cent improvement to 176.3p.

The Ivory & Sime-managed trust, which concentrates its portfolio on small companies and "alternative" markets in continental Europe, saw available revenue leap to £385,000 (£289,000) over the six months to end-June.

Mr Ian Dalziel, chairman of the trust, said: "Declining interest rates in continental Europe will continue to enhance the attractiveness of equities compared with fixed interest financial instruments."

Earnings per share worked through at 3.2p (1.33p).

European Assets

European Assets Trust, quoted on both the Amsterdam and London markets, had a net asset value of FL 8.31 (94p) at June 30, up from FL 7.07 at the same stage of 1992.

The trust, also advised by Ivory & Sime, reported net income for the half year to end-June of FL 2.83m (FL 3.49m) for earnings of FL 0.11 (FL 0.14) per share.

The interim dividend is maintained at FL 0.08.

Sphere

Net asset value per zero dividend share of the Sphere Investment Trust rose from 71p to 80.4p over the 12 months ended June 30.

At the end-December 1992 year-end the figure stood at 75.6p.

For the income and residual capital shares the figures were 36.7p, 19.4p and 24.4p respectively. All figures were after deduction of prior charges at par.

Available revenue for the half year to June 30 rose from £1.98m to £2.81m, for earnings of 2.31p (1.61p)

per income and residual capital shares.

A second interim dividend of 0.78p makes 1.5p (same) to date.

Murray Split

The net asset value of Murray Split Capital Trust was 176.1p per capital share at May 31 - a rise of 88 per cent on the 94.6p standing at the August year-end.

The value of the zero dividend preference shares rose from 112.8p to 122.1p over the same period.

Available revenue for the nine months to end-May was £615,000 for earnings of 7.86p per share.

As forecast, a third interim dividend of 2.86p makes 7.96p to date.

The total for the year is expected to be maintained at last year's annualised rate of 10.8p.

Hotspur Invs

Hotspur Investments, the Cazenove-managed trust which seeks to achieve long-term capital growth through an international equity portfolio, reported a net asset value, excluding income, of 382.83p per share at June 30, up from 319.61p a year earlier.

Directors said the 7.9 per cent increase compared with a rise of 5 per cent in the FT-A All-Share Index.

Net revenue for the six months to end-June was £26,549 (£22,437), equivalent to earnings of 4.3p (3.63p) per share.

Updown Inv

Updown Investment Company, also managed by Cazenove, reported a 13 per cent rise - from 531.1p to 600.35p - in net asset value over the six months to June 30 1993.

The latest figure represented a year-on-year advance of 22 per cent on 1992's value of 491.45p.

Retained profits for the half year, including the investment dealing subsidiary, were £272,000 (£297,000) for earnings down to 6.8p (7.42p) per share.

Directors said that full-year earnings should be sufficient to justify a maintained distribution of 12.5p.

FULCRUM INVESTMENT TRUST P.L.C.			
Results for the period ended 30 April 1993			
	18 months ended 30 April 1993	12 months ended 31 October 1991	
Net Revenue before Tax	£1,464,883	£383,898	
Dividends per Income Share	13.07p	9.20p	
Net Assets per Valuation	£17,400,035	£3,350,648	
Net Asset Value per Zero Dividend			
Preference Share	111.03p	9.83p	
Income Share	48.11p	42.11p	
Capital Share		12.85p	

"Fulcrum has increased in size by approximately six times, which gives it much more flexibility and should put it in a position to search out and accept some interesting investment opportunities. In due course, we believe that the expected increase in corporate profitability in 1994 will justify higher share price levels in the U.K."

A.S. Clowes, Chairman

MAUNBY
4 MOUNT PARADE, HARBORCROFT, NORTH YORKSHIRE HC1 1BX
TELEPHONE: (0423) 523553 - FAX: (0423) 530358

B·A·T INDUSTRIES

Interim dividend up 8%,
a significant increase
over inflation

First half unaudited results
to 30 June 1993

PRE-TAX PROFIT	£906m	+35%
EARNINGS PER SHARE	19.6p	+66%
DIVIDEND PER SHARE	7.9p	+8%

- Record pre-tax profit for the half year of £906 million.
- Tobacco trading profit of £623 million, including £135 million profit on strategic exchange of brands.
- In financial services, profit from continuing general business up 75 per cent to £205 million; life profits up 10 per cent to £155 million.
- "The current year demonstrates the strategic value of having a strong position in financial services, as well as in tobacco. The interim dividend of 7.9 pence provides shareholders with a significant increase over the current rate of inflation."

Sir Patrick Sheehy, Chairman

The full interim report is being posted to shareholders and copies are available from the Company Secretary, B.A.T Industries p.l.c. Windsor House, 50 Victoria Street, London SW1H 0NL.

COMPANY NEWS: UK

Advance to £152.5m despite slight reduction in new business

Lloyds Abbey Life rises 7%

By Norma Cohen, Investments Correspondent

LLOYDS ABBEY Life, the life insurance group, yesterday announced a 7 per cent rise in pre-tax profits to £152.5m for the six months ended June 30, despite slightly lower new business activity in its two key subsidiaries.

Earnings per share came to 14.3p (13.9p), while the interim dividend was again 6.3p.

Profits in the Lloyds Abbey Life insurance division rose slightly to £68m, although new life and pensions business, on an annualised basis, fell by nearly 2 per cent to £106m.

The modest decline in sales coincides with a drop in sales

agents at Lloyds Abbey Life. This follows new regulatory requirements on the training and competency of staff. From 3,500 sales agents at its peak, the number could fall to 2,500 by the end of this year.

Sales of unit trusts however, more than trebled to £371.5m.

Profits within the Black Horse Financial Services division, based in branches of Lloyds Bank, the company's 60 per cent shareholder, rose by 18 per cent to £90m, despite lower life and pensions sales. Much of the rise reflects the recognition in the current period of profits earned on older business under the embedded value method of calculating life insurance com-

pany profits.

Also within the past few weeks, the company has temporarily suspended its pensions transfers business at its Black Horse division while the Securities and Investments Board, the regulatory body which oversees its activities, completes a review of pensions policies sold through banks.

Pensions transfers, which represent less than 15 per cent of pensions policies sold at Black Horse, are policies sold to those transferring out of occupational schemes and regulators have become concerned that they are being sold to people who would be better off remaining where they are. Almost all banks which sell

personal pensions have at least temporarily suspended their pensions transfers business.

Meanwhile, sales of unit trusts at Black Horse, more than trebled to £332m. Mr Stephen Maran, chief executive, said unit trust sales reflected "people who were dissatisfied with the rates they were earning on deposit accounts."

Nearly half of the unit trust sales at Black Horse are from Lloyds Bank customers who have switched their own accounts into unit trusts. However, he said that unit trust sales had experienced a "bump" in the middle of the period and have slowed down slightly recently although they were still "quite strong".

Prestwick shares dive on profits warning

By Paul Taylor

PRESTWICK Holdings, the printed circuit board manufacturer, warned yesterday that it would incur a pre-tax loss of about £3.7m for the year to July 31 and would be forced to pass the dividend on its cumulative convertible redeemable preference shares.

The company's ordinary shares fell sharply after the warning and closed 12p lower at 29p while the preference shares lost 35p to close at 88p.

The warning follows the resignation early last month of Mr Wayne Osman, the group's former chief executive who had run Prestwick since 1989.

Mr John Gilhooly, a senior figure in the electronics industry and deputy chairman of Albacom, became acting chief executive and deputy chairman.

Mr Gilhooly instigated a "major strategic review" of the business against the background of erratic customer demand, price pressures and increased raw material costs which have continued to affect trading.

The review highlighted the problems Prestwick has had with a number of small acquisitions it had made over the past 2½ years. "We have suffered very badly from not digesting the small acquisitions we have made," said Mr Alastair McKie, executive director, yesterday. "Not only did they not contribute, they incurred losses."

A projected £3m operating loss for the current year comes after £2.1m in provisions for non-recurring items including obsolete fixed assets. Mr McKie said all of the operating losses are attributable to these "smaller business units". In addition interest costs are expected to total about £700,000.

Because the loss will eliminate distributable reserves the company will be unable to declare a further dividend in respect of its 7.25 per cent preference shares. However, the group intends to restore dividend payments "at the earliest possible date," probably following a capital reorganisation.

The company said that as a result of the strategic review "vigorous management action" is being taken to reduce costs, implement profit improvement programmes and strengthen financial controls.

As part of this process Mr McKie said the group was being reorganised into three operating companies, one comprising the smaller business units and the other two based on the group's Ayr and Irving plants.

The group emphasised that the trading prospects of the core business remain sound and that it continued to enjoy the support of its principal bankers. The preliminary results are expected to be released at the end of September.

BAT to cut price of US cigarettes next month

By Philip Rawstone

BAT INDUSTRIES will begin discounting a number of its US cigarette brands next month in response to Philip Morris's reduction in the wholesale price of Marlboro.

Mr Martin Broughton, BAT's chief executive, said yesterday that the wholesale price of Kool and Capri, its main premium brands, would be reduced by 40 cents a pack to match the Marlboro discount.

At the same time, the list prices of its lower-priced brands, notably GPC, would be raised.

"It is too early to say what will happen in the retail market," he said. But tactical

action would be taken where necessary to protect market share.

Sir Patrick Sheehy, chairman, said: "The most recent developments indicate that the price of full revenue brands will be permanently reduced, making the industry as a whole less profitable but still strongly cash generative."

It was not the end of the road for premium brands, he added. "The top end of the market is still highly profitable." However, improving margins on discount brands would not fully compensate Brown & Williamson, BAT's US subsidiary, for the profit reduction.

Though the US price war would have a continuing impact into 1994 and beyond, Mr Broughton said it was unlikely to spread to other international markets. "The US market is different from the rest with higher margins and different pricing categories." The effect on BAT's results in the first half of the year was largely confined to a \$75m (£50m) drop in Brown & Williamson's trading profits, as a result of reductions in the stocks of Kool held in the trade.

Overall operating profits from tobacco operations increased from \$515m to \$625m on turnover ahead from \$5.51bn to \$5.63bn.

Goode Durrant loss at £15.4m

By Catherine Milton

GOODE DURRANT, the industrial holding company, yesterday announced a deepening of pre-tax losses from £1.48m to £16.4m over the 12 months to April 30 1993, as accounting treatments obliterated small operating profits for the second successive year.

However, the shares rose 7p to 83p after the recommended final dividend was maintained at 3.25p, giving an unchanged total of 5.4p.

Losses per share were 31.2p (6.3p). Mr Michael Waring, chief executive, said: "For the first time for a number of years we can now look forward with confidence."

He said the company remained cautious about the outlook for the economy in general.

Turnover fell to £173.5m (£178.2m) including £101.5m (£103.5m) from Laidlaw Leasing, which the company sold to Quirk's Group after the year-end for £8.2m cash.

The company incurred an £18.4m loss on the £36m acquisition, made in 1987, as a result of a goodwill write-back.

The company had already provided for this and it did not affect shareholders' funds.

Under new accounting rules, this and other one-off charges made a total of £19.8m in exceptional items which wiped out pre-exceptional profits of £4.45m (£5.09m).

The Northgate vehicle hire division made the largest contribution of £3.53m (£2.52m) to pre-exceptional profits and pre-tax profits, with associated undertakings contributing £1.32m (£1.08m).

The remaining element of Laidlaw, a leasing business, made reduced profits of £172,000 (£341,000), contributing to pre-exceptional profits and pre-tax profits, with associated undertakings contributing £1.32m (£1.08m).

Housebuilding and construction also contributed a pre-exceptional loss of £188,000 against profits of £362,000 last time.

Goode Durrant had net borrowings of £19.2m (£34.8m), with the Laidlaw disposal helping to reduce debt by about £15.6m.

Gearing, including vehicle finance, fell from 71 to 39 per cent.

French aid helps D Smith to £27m

By Paul Taylor

DAVID S Smith (Holdings), the paper, packaging and office supplies group, reported sharply higher full-year profits and said trading volumes were improving in the UK, but deteriorating on the Continent.

Mr Peter Williams, chief executive, said although UK prices remained depressed, volumes in packaging "are moving ahead by about 3 to 4 per cent."

Pre-tax profits increased by 76 per cent to £27.1m in the year to May 1, fuelled by a full-year contribution from Kayserberg Packaging of France which was acquired at the start of April 1992.

That compared with £15.4m in the previous year when profits were depressed by £8.7m of costs for redundancies and other reorganisation expenses.

Earnings increased to 22p (11.5p). The final dividend of 7.25p makes a total for the year of 10p (3.5p).

The latest results were unchanged from the estimates made last month when the group announced the £95m acquisition of Spicers, the UK's largest wholesaler of office products, from Svenska Cellu-

losa of Sweden.

Turnover rose to £518.9m (£361.5m) and operating profit jumped to £38.1m (£13.3m) including £34.2m (£1.8m) from Kayserberg.

Interest charges of £11m, against net income of £2.1m, reflected increased borrowings following the Kayserberg acquisition and the capital investment programme.

COMMENT

David S Smith's recent performance has been fuelled by the acquisition of Kayserberg which has helped disguise the severe impact of the recession on the UK paper and packaging businesses. Spicers will add an important third leg to the business while the tentative first signs of the long-awaited turning of the cycle should eventually bring relief to St Regis Paper which nevertheless remained in profit last year because the results of specialist mills offset those from the commodity corrugated case materials mills.

Performance will be held back by the completion of the Kemsley development programme, but full year pre-tax profits of £44m and earnings per share of 28.3p are expected producing a prospective p/e of 14.4.



First Quarter Results

Results for first quarter ended 30 June, 1993

	3 months ended 30 June, 1993	3 months ended 30 June, 1992
	Unaudited £m	Unaudited £m
Turnover	3,335	3,273
Operating profit	813	799
Loss on sale of subsidiary companies	-	135
Profit before tax	757	596
Profit after tax	496	351
Earnings per share	7.9p	5.6p

Highlights excluding the impact of disposed subsidiaries

- Turnover up by 2.9%
- Profit before tax up by 3.0%
- Earnings per share up by 1.0%

"The results for the quarter are encouraging, showing growth in both UK and international call volumes.

Earnings per share for the quarter were slightly ahead of last year's comparable position, reflecting the turnover growth and the benefits of our manpower reduction programmes. However, tighter price control will come into operation on 1st August and the competitive pressures continue to increase.

The global alliance with MCI announced last month will provide BT with a significantly enhanced presence in North America and improve our ability to compete internationally."

Iain Vallance
Chairman
28 July, 1993

If you have any queries as a shareholder please call 0345 010505. For daily recorded information on the BT share price and matters of interest to shareholders generally, please call 0345 010707. You may telephone these numbers from anywhere in the UK for the price of a local call.

British Telecommunications plc, 81 Newgate Street, London EC1A 7AJ.

Northern Foods in milk deal

NORTHERN FOODS is adding to its liquid milk business through the £7.2m purchase of MD Foods' activities in the south-west of England.

Northern said the deal would strengthen its position as a substantial milk buyer when the Milk Marketing Board is abolished next year.

The acquisition is conditional on not being referred to the Monopolies and Mergers Commission and is unlikely to be completed before October.

MD Foods, the UK subsidiary of Denmark's largest dairy group, bought the business as part of its purchase of Co-operative Retail Services' dairy division in July 1992. It decided the Bristol dairy, which handles 42m litres a year, and has annual sales of £19m, was too small to justify the capital expenditure needed to bring it up to the standards of its other dairies.

Northern is buying seven depots but will not take over the Bristol dairy, which MD will close with the loss of 125 jobs.

Northern Foods will upgrade its own dairy at Thornbury, north of Bristol.

Aitken Hume turns in £2.69m

Aitken Hume International, the financial services and banking group, made a pre-tax profit of £2.69m for the year to March 31, compared with £2.91m last time which included £2.02m from the Bachmann Group to its disposal on March 6 1992.

Earnings per share were 1.04p, compared with 2.12p

before extraordinary items and 19.84p losses after. The dividend is 1p (0.5p).

Andrews Sykes warns on outcome

Shares in Andrews Sykes fell 17p to 100p after the industrial services company warned that first-half results would be "significantly below those of last year."

Mr David Hubbard, chairman, told the annual meeting that the expected upturn in demand had not materialised in the first quarter to June 30.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Current dividend	Total for year	Total last year
Aitken Hume Int'l	1	Oct 1	nil	1	0.5
BAT Inds	7.9	Oct 14	7.3	15.2	15.6
Banks (Sdney C)	2	Oct 8	5.5	9	8.25
Claythorne	1.75	Sept 3	1.75	2.5	2.5
Dyson (UK)	5	Oct 1	5	5	5
Euro Assets Tel	0.05	Sept 23	0.08	-	0.2
Excelbair	0.3	Oct 1	0.6	0.5	1
Goode Durrant	3.25	Sept 30	3.25	5.4	5.4
Grosvenor Inns	2.25	Sept 17	-	4.25	-
Lloyds Abbey	6.3	Oct 8	6.3	17.3	17.3
Mitro	2	Oct 1	1.5	3.5	2.75
Murray Spill Cap	2.65	Sept 22	2.5	10.8	10.8
Smith (David S)	7.25	Oct 1	6.75	10	9.5
Sphere Int'l	0.75	Aug 31	0.75	-	3.1

Dividends shown pence per share net except where otherwise stated. 10n increased capital, 50SM stock. *Adjusted for scrip issue. **Second interim making 1.5p to date. ***Third interim making 7.95p to date. ****Annualised. †Dutch guilders.

The Derbyshire BUILDING SOCIETY

£80,000,000 Term Loan Facility

Arranged by
Hambros Bank Limited

- Provided by
- J. Henry Schroder Wegg & Co. Limited
 - ABN AMRO Bank N.V.
 - Credit Suisse
 - Den Danske Bank
 - The Fuji Bank, Limited
 - Hambros Bank Limited
 - Kreditbank N.V.
 - The Mitsubishi Trust and Banking Corporation
 - The Sakura Bank, Limited
 - The Nikko Bank (UK) plc
 - The Chuo Trust and Banking Company, Limited
 - The Dai-ichi Kangyo Bank, Limited
 - Deutsche Bank AG London
 - GiroCredit Bank (LONDON BRANCH)
 - Hamburgische Landesbank (LONDON BRANCH)
 - Lloyds Bank plc
 - The Royal Bank of Scotland plc (CORPORATE BANKING, HAMBROS UK)
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Z-Länderbank Bank Austria AG (LONDON BRANCH)

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COMPANY NEWS: UK

Blood, sweat, tears and Spears

Andrew Baxter on the medicine being applied to aid recovery at Jones & Shipman

THIS COMPANY never used to have a make-or-buy policy. It made, says Mr John Wareing, managing director of Jones & Shipman, the Leicester-based company which is one of the most famous surviving names in Britain's machine tool industry.

"When I arrived in 1980 they made their own packing cases. They were the best packing cases in the world but it wasn't cost-effective," he recalls. J&S no longer makes packing cases, but it is not out of the woods yet.

This week, Mr Wareing will be meeting an unidentified trade investor, believed to be a continental European machine tool company, which may take a stake in the company as part of a possible new equity issue.

The talks could herald a new start for a company founded in 1899 but which until recently was "a dinosaur dying on its feet," according to Mr Len Weaver, chairman. They could also lead to the kind of cross-border collaboration that the fragmented, financially weak European machine tool industry badly needs.

Over the years, J&S has suffered from the same problems that bedevilled other UK machine tool companies now long departed - technological conservatism, arrogance towards customers, and an inward-looking management prone to infighting.

It is big problem in the current recession, though, was its manufacturing strategy. "If you've got a big machine shop and there's no work coming through it becomes a massive overhead," says Mr Wareing.

As sales dived from £30.5m in the year ended March 1990 to £15.5m in 1991-92, turning a £2.1m pre-tax profit into a £7.3m loss, Mr Wareing tried everything to stem the flow of red ink. The workforce was cut from 750 in 1980 to 520 by last July, short-time working was introduced, but, he says, "all the medicine was not going to work."

Eventually, last July, Mr Wareing unveiled a strategy that would be the last chance for survival. J&S would sell its honing and small tools busi-

nesses to concentrate on its core business of grinding machines, virtually ending in-house machining of parts by switching to out-sourcing, and reduce its manufacturing space.

A year later, the main machine shop at Leicester is unrecognisable. Empty areas are roped off, the manufacturing space has been reduced by more than half, and the overall workforce has been cut to 324 and will level off at 260 by October.

It has been a year, says Mr Wareing, of "blood, sweat, tears and Spears" - a reference to Mr Alan Spears, the new manufacturing director who joined the company last August.

"We couldn't have done all this with someone who had been here 20 years and had a sentimental attachment to anything," says Mr Wareing.

Mr Spears and his team vetted 682 suppliers, visited 178 and signed up 12, all from the UK, for long-term supply deals. This will rise to 25 soon as ad-hoc outsourcing is converted into long-term arrangements.

The effect on the company's operating ratios has been equally dramatic. Break-even levels have been halved in the past two years, says Mr Wareing, and a third of the reduction has come in the past year. Meanwhile, Mr Wareing has slashed the J&S management from 39 before the recession to just 18.

There is a long way to go, but Mr Wareing is now much less worried about J&S' competitiveness against its continental rivals - companies like Eib and Blohm of Germany and Switzerland's Magerle and Kellenberger, which all subcontract as a matter of course.

Unfortunately, however, the restructuring has gone awry financially. Originally, J&S believed it could fund it internally, but this has not happened for three reasons:

● The small tools business was sold in February to a division of Suter for £780,000, but Mr Wareing decided to keep the honing machine business, realising the potential of selling grinding and honing machines as a package;



John Wareing: with sales plummeting everything was tried to stop the flow of red ink

● One plot of vacated land next door to the main factory has been sold subject to contract, but two others are unsold. "I'm not going to sell the family silver at silly prices," says Mr Wareing;

● The recession has continued to depress order books.

Mr Wareing does not want to borrow any more, preferring to keep gearing at its current level of 40 per cent. Instead, he says: "We now need to convert some debt into equity by going to the City for some money."

How much, and in precisely what form, is not clear but Mr Wareing is hoping institutions will line up behind the trade investor to provide the cash.

The deal, he concedes, is very important for J&S. "It will give us the headroom to complete the reorganisation, continue with our product development programme and take the business forward."

In spite of its past mistakes, J&S deserves to survive and prosper. Its shares may have plummeted from a 1990 high of 177p to 22p yesterday, valuing it at £2.68m, but it is one of the biggest and most innovative UK machine tool builders and employers.

Over the past two years J&S has emerged as a world leader in "creep feed" grinding technology which it acquired from the US Brown & Sharpe company in 1991 and has since developed further.

Creep feed grinding removes large amounts of metal from a part in one go, giving increased productivity compared with conventional machining. It is used extensively in the aerospace industry but J&S is already selling it in non-aerospace markets where the technology has hardly scraped the surface.

On top of this, J&S has notched up important successes recently in the Far East, and has re-established its name in the US market by substituting its own sales operation for a joint venture with Brown & Sharpe.

Mr Wareing sees signs of increasing confidence in the UK market, and says devaluation in Europe has given J&S a tremendous advantage in Europe to add to its internal productivity improvements. The only problem is that continental markets are going the opposite way to the UK at present.

The identity of the trade investor is likely to be revealed

in September, and 1992-93 results have been delayed because of the talks.

Some observers believe the best solution would be a German partner. J&S acknowledges it is very weak in the German market, which in spite of its current doldrums is still the most important market in Europe.

Two things seem certain about the planned equity issue. In the current climate in the European machine tool industry, the deal will be mutually beneficial. And shareholders, which include Postel, Invesco and Prudential, will suffer some dilution depending on the terms.

However, Mr Wareing is the sort of no-nonsense executive that the City likes to see running engineering companies, and seems to have investors on his side.

"He's delivered on virtually everything he promised, which is not an easy job in a company with so many traditions," says one institution.

"The proposals don't cause us a problem, and our main point of concern is that the company survives and goes forward."

INVITATION TO TENDER FOR THE HIGHEST BID FOR THE PURCHASE OF THE ASSETS OF "THESSALIKOS VAMVAX A.E.B.E." OF ATHENS, GREECE.

"ETHNIO KEPHALIOU S.A. Administration of Assets and Liabilities" of 1, Skoufeliou Street, Athens, Greece, in its capacity as Liquidator of "THESSALIKOS VAMVAX A.E.B.E." a company having its registered office in Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990 (as supplemented by article 14 of Law 2000/1991).

announces a call for tenders for the highest bid by submission of sealed binding offers for the purchase by public auction (the "Auction") of the assets of the Company, as a single whole.

BRIEF INFORMATION: The Company was established in 1979. Its activities were the ginning, the processing of cotton and its remainders, as well as the marketing and exportation of cotton and ginning products. In 1992 the company was declared bankrupt and under liquidation. The Company's Assets include: (1) An Industrial Complex of cotton ginning, which is located in the village of Filoti (Karditsa area - position Filoti - outside the city limits) consisting of 8 areas with total surface of 7,000 m². The complex is built on a plot of approximately 24,750 m². (2) Complete ginning equipment and (3) various other assets such as technical installations, office equipment, trade name, etc.

OFFERING MEMORANDUM - FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum respect of the Company and the assets thereof and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

- The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions. Submission of offers in favour of third parties to be appointed at a later stage shall be accepted under the condition that express mention is made in the respect upon the submission and that the operator shall give a personal guarantee in favour of such third party.
- Bidding Offers:** For the participation in the Auction interested parties are hereby invited to submit binding offers, not later than the 28.8.93 at 11.00 hours to the office of the Athens Notary Public Mr Evangelos Dracopoulos, address: 19, Voukourastou Str. (2nd Floor) Athens 105 71, Greece, tel: +30-1-3615732. Offers should expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate). In the event of no determination of a) the way of payment, or b) whether the instalments bear interest and c) the interest rate, shall be deemed that a) the offered price is payable immediately in cash, b) the instalments shall bear no interest and c) the interest rate shall be the legal rate from time to time in force (presently 31% yearly). Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offers shall be binding until adjudication.
- Letters of Guarantee:** Binding offers must be accompanied by Letters of Guarantee, for an amount of drs. SIXTY MILLION (60,000,000), issued in accordance with the draft form of Letter of Guarantee contained in the Offering Memorandum by a bank legally operating in Greece, to be valid until the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the Letters of Guarantee shall be forfeited as a penalty.
- Submissions:** Binding offers together with the Letters of Guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
- Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 20th of August 1993, at 13.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
- As highest bidder shall be considered the participant, whose offer will be judged, by the 51% of the Company's creditors (the "Creditors"), in their absolute discretion upon suggestion of the Liquidator, to be in the best interests of all the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account, which shall be calculated on the basis of a discount interest at an annual rate of 22% compounded yearly.
- The Liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
- All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
- The Liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. Neither the Liquidator or the Notary Public shall have any liability for any legal or actual defects of the assets. Submission of binding offers shall not be deemed to constitute any right for the adjudication nor the participants shall acquire any right, power or claim from this invitation and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.
- This invitation has been drafted in Greek and translated in English. In any event that Greek version shall prevail.

For obtaining the Offering Memorandum and for any further information please apply to the Liquidator of the company "ETHNIO KEPHALIOU S.A. Administration of Assets and Liabilities", address: 1 Skoufeliou Str., Athens 10561, Greece, tel: +30-1-363.14.84 - 87, Fax: +30-1-361.79.05 (attn Mr Athan. Chrysosides).

FINANCIAL TIMES

EAST EUROPEAN BUSINESS LAW

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MEXICO DESARROLLO INDUSTRIAL MINERO, S.A. DE C.V.

Industrial Minera México, S.A. de C.V.

Mexicana de Cobre, S.A. de C.V.

\$400,000,000

Consolidating Facility

Medium Term Pre-Export Financing

Agent

Internationale Nederlanden Bank N.V.

Co-Agents

Banque Paribas

Chemical Bank

Co-Leads

Banco Mexicano, S.A.

Banque Française du Commerce Extérieur

Société Générale

Banque Nationale de Paris

Bancomer, S.A.

Deutsche Bank AG

Banque Indosuez

Generale Bank

Funds provided by

Internationale Nederlanden Bank N.V.

Chemical Bank

Bancomer, S.A.

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Credit Suisse

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Banque Paribas

Banco Mexicano, S.A.

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Bank

April 1993

Has the economic miracle come to an end?

The Financial Times Survey on Japan will be published tomorrow. An authoritative insight into what is happening in a country which is now experiencing political upheaval and recession.

The survey will examine Japan's political and financial problems and look at its changing position in the world following the end of the Cold War.

FT. Because business is never black and white.

SIEMENS

Information for Siemens shareholders

Major projects compensate for weak economy

Business at Siemens proved generally resilient in the first nine months of fiscal 1993, despite the weakened economic environment. While German domestic orders continued to decline, the company recorded a turn toward modest growth in its international business. Overall, Siemens showed a 2% increase in sales and a 5% drop in orders over the same period last year. Income after taxes rose 1%.

Orders

In the period under review, Siemens booked orders worth DM59.9 (1992: DM63.1) billion. The weakened domestic demand registered in the first two quarters continued. In the first nine months of the year, German orders declined 12% to DM26.6 billion, down from DM30.3 billion the previous year, when a surge in major projects resulted in above-average figures. Despite the adverse impact resulting from the devaluation of important European currencies against the German mark, international orders climbed 2% to DM33.3 (1992: DM32.8) billion. This growth was largely attributable to major plant and systems projects: a broad international economic recovery is still not discernable. Following three years of strong expansion in Germany and abroad, the activities of the operating groups involved in infrastructure business have eased off at a high level. Market weaknesses in the industrial standard products sector have persisted. The Transportation Systems and Power Generation (KWU) Groups, in particular, showed growth, while business in the Public Communication Networks Group was below last year's high level. The Semiconductors, Passive Components and Electron Tubes, and Electro-mechanical Components operating units continued to show high growth rates in the third quarter, profiting from the strong worldwide demand for components since late 1992.

Sales

Worldwide sales rose 2% to DM55.8 (1992: DM55.0) billion. Here, too, international business outperformed domestic sales, increasing 6% to DM30.7 (1992: DM29.1) billion. In Germany, sales declined 3% to DM25.1 (1992: DM25.9) billion, normalizing somewhat from the high 14% growth rate recorded in the previous year. In addition to the components business, Transportation Systems and Power Generation (KWU) were the primary contributors to company sales growth.

Employees

Since the close of the last fiscal year on September 30, 1992, the number of employees has declined from 413,000 to 401,000. This reduction of just under 3% in the work force affected German and international operations alike, as well as virtually all operating units. Personnel costs climbed 6% to DM26.3 (1992: DM24.9) billion.

Capital spending and net income

Capital spending in the first nine months came to DM4.7 (1992: DM6.2) billion. This total includes the acquisition of Sylvania, the North American lighting division of GTE Corporation, Stamford, Connecticut; the new business is known as Osram Sylvania, Inc., Danvers, Massachusetts. Expenditures on property, plant and equipment declined slightly. Net income after taxes edged up marginally to DM1,324 (1992: DM1,311) million.

DM billion	1/10/91 to 30/6/92	1/10/92 to 30/6/93	Change
Orders	63.1	59.9	- 5 %
German business	30.3	26.6	- 12 %
International business	32.8	33.3	+ 2 %

DM billion	1/10/91 to 30/6/92	1/10/92 to 30/6/93	Change
Sales	55.0	55.8	+ 2 %
German business	25.9	25.1	- 3 %
International business	29.1	30.7	+ 6 %

'000s	30/9/92	30/6/93	Change
Employees	413	401	- 3 %
German operations	253	246	- 3 %
International operations	160	155	- 3 %

DM billion	1/10/91 to 30/6/92	1/10/92 to 30/6/93	Change
Personnel costs	24.9	26.3	+ 6 %

	1/10/91 to 30/6/92	1/10/92 to 30/6/93	Change
Capital expenditure and investments DM billion	6.2	4.7	- 24 %
Net income after taxes DM million	1,311	1,324	+ 1 %

unaudited accounts

Siemens AG, Berlin and Munich

COMPANY NEWS: UK

Paul Abrahams sets the scene for today's ICI result Relaunch into more enterprising culture

IMPERIAL Chemical Industries, flagship of British manufacturing industry, will today announce its first results without Zeneca, its recently floated bioscience operations.

Mr Ronnie Hampel, ICI's new chief executive, will have the opportunity to describe how he intends to navigate the world's sixth largest chemical group through the malaise that has overwhelmed the sector.

The demerger's aim is to allow ICI executives to concentrate on a narrower range of businesses, and to release what Mr Hampel calls "creative management energies."

ICI is being relaunched with a very different and much more enterprising and profit-conscious culture, he argues.

ICI could have done with some creative management in the past. As Mr Hampel admits: "Our focus on profitability was less good than it should have been. ICI did not drive its businesses, good or bad, hard enough."

Management will need to be especially creative; the trading environment is grim and Mr Hampel's targets are challenging. Each business will be required to achieve a rate of return on assets employed of at least 20 per cent on average over the next five years.

His ability to achieve such targets will depend partly on management and partly on the economic cycle.

The company is two thirds of the way through a three-year restructuring programme aimed at saving £400m a year.

About 17,000 jobs have disappeared. A further 7,000 will go over the next three years, and another 6,000 through disposals of non-core and under-performing businesses, according to Mr Hampel.

However, such measures may only allow ICI to stand still, given the poor business environment. Most of the group's activities are heavily cyclical, capital-intensive operations whose profitability is volume-related.

Prices for ICI's products will have to improve before it can start increasing profits significantly. Mr David Ingles, chemical analyst at brokers James Capel, explains: "Prices depend



Ronnie Hampel: chance to describe his navigation skills

upon the demand and supply balance and this is almost impossible to predict in terms of either its extent or timing."

On the plus side, about a quarter of ICI's turnover is in the US, where a patchy recovery is happening. A further 20 per cent is generated in the fast-growing Asia-Pacific region, although some of that is in Australasia. The UK market, which accounts for about 26 per cent of sales, is also recovering, but slowly.

On the minus side, continental Europe, which generates 35 per cent of turnover, is decelerating rapidly, to the extent that it could undermine the UK recovery.

Some divisions are less affected by the economic malaise.

Both paints and explosives are stable businesses. Paints generated sales of £1.5bn last year and operating profits of £115m. Kleinwort Benson is predicting profits of £107m for the full year.

Operating profits from explosives last year were £50m on turnover of £549m and £50m is forecast on sales of £600m this year.

Results at the materials division are likely to be dire. With sales of £1.8bn last year - 32 per cent of group turnover - the division incurred a £35m loss and is expected to make only £10m for the full year.

More difficult to predict is the performance of ICI's industrial chemical division, which

still dominates the company. It made sales last year of £3.5bn, 42 per cent of group turnover, and lost £17m in the process.

The medium-term outlook for industrial chemicals remains grim. Prices of PVC - of which ICI's partly owned subsidiary EVC is Europe's largest manufacturer - have fallen from a peak of DM1.85 in 1989 to DM1 during the second quarter of this year.

In the longer term, investors are betting that the division's profitability will recover to the peak levels of 1989, when its industrial products it reported trading profits of £789m on sales of £5.7bn.

But even if demand picks up, it is doubtful that profits will reach such levels.

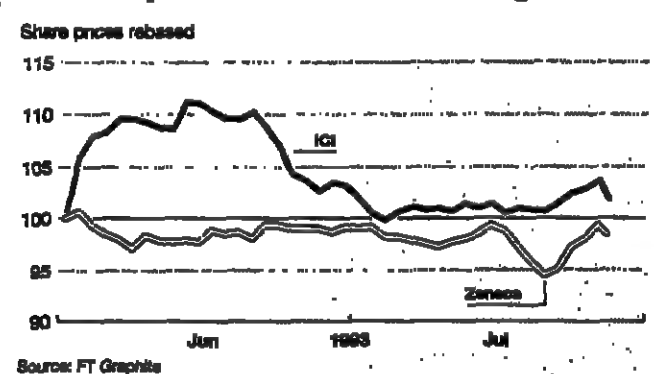
Mr Ingles reckons that there will be no repeat of the rapid recovery seen in the 1980s and the massive imbalance between supply and demand is likely to dominate the sector for many years. One leading manufacturer of titanium dioxide - ICI is the world's second largest producer - thinks that it could be 1997 before demand catches up with supply.

Mr Hampel recognises that most ICI businesses are cyclical and there is little he can do to change cyclical fluctuations in demand. He says the company has a simple overall objective - to enhance shareholder value by developing businesses selectively and profitably.

"Gone are the days when ICI could afford to carry businesses in which we can have no competitive advantage and which do not have profitable potential," says Mr Hampel. "The less profitable are likely to be selected out of the company. Some businesses will be disposed of or swapped, though not necessarily in the near future. The company has low debts and is not a distressed seller."

The ICI that leaves the 1990s will be very different from the one that entered the decade. Mr Hampel now has to prove that it can be more profitable.

Relative performance since demerger



Zeneca faces struggle to beat hostile environment

ZENECA, ICI's recently floated bioscience business, could not have been born at a more inauspicious time. Its pharmaceuticals, agrochemicals and specialties businesses are all struggling in an extremely hostile environment.

Healthcare reform in Germany and Italy have stunned the European drugs market, which is now static compared with an 8 per cent increase last year.

Reforms in France and the UK, as well as additional measures in Germany, are expected over the next 12 months.

In the US, reforms are also being prepared by the Clinton administration, although the expanding power of bulk buyers of healthcare will probably have more impact than any reforms.

Meanwhile, Zeneca's pharmaceuticals division is struggling with the US patent expiry of its best-selling drug, the heart treatment Tenormin. Once the world's fifth top-selling drug, with sales of £62m, its US sales have halved in less than 12 months.

As for the agrochemical sector, in which Zeneca is the second largest after Ciba of Switzerland, it is struggling with higher development costs - a direct result of greater regulation - and a stagnant market.

The reforms of the Common Agriculture Policy have knocked the European market, the world's largest, backwards.

Specialty operations are also suffering from the general recession. Mr John Mayo, Zeneca's finance director and architect of its split from ICI, admits the division's results are unacceptable.

Zeneca's most important operation is the pharmaceuticals division, with sales last year of £1.6bn. The best way of dealing with the new price-conscious environment would be to compensate with innovative compounds that can drive growth through volume.

These four products will start to stagnate in about 1996 or 1997, according to Kleinwort Benson analysts. After that, growth will depend upon new products such as the antibiotic Merrem, and Casodex, a treatment for prostate cancer. Beyond that is Accolate, an asthma treatment, and Seroquel, a therapy for schizophrenia.

Zeneca has thoroughly reorganised its research and development activities in recent years. Its management maintains that all being equal its drugs should not fall during the development process, like some of its earlier compounds such as Statil and Corwin.

In the meantime, Zeneca's management must show its teeth in adapting to the new environment. Other pharmaceuticals groups have been busy adjusting their cost-bases to adapt to the new circumstances in Italy, Germany and the US. Zeneca has laid off about 100 pharmaceutical sales representatives in the US.

Additional cuts may be necessary in the pharmaceuticals division, and will certainly be obligatory in the specialties businesses, which last year generated operating profits of only £26m on sales of £936m.

Zeneca's agrochemicals business generated sales last year of £1.2bn. Its future is secure, but profitability is a problem and competition is becoming tougher.

A series of mergers and acquisitions are creating significant opposition. Shell's business has been acquired by American Cyanamid; Rhône-Poulenc of France has linked up with Sumitomo of Japan; and Schering, the Berlin-based group, is forming a joint-venture with Hoechst of Germany, which in turn is taking on the agrochemicals business of its majority-owned subsidiary Roussel-Uclaf of France.

In the immediate future, Zeneca's agrochemicals business may surprise, following useful agrochemicals results reported last week by Monsanto of the US. But in the longer term, the operations will find the going ever-tougher. Zeneca's management insists the company is sufficiently large to cope with the new harsh environment. That may be so. But Zeneca will have to be nimble. Freed from the deadening hand of ICI's Milbank headquarters' bureaucracy, the company must now show it can adapt quickly enough to survive.

The telephone has joined forces with the computer to become a potent marketing tool, writes Della Bradshaw

On the line to a wider service

How popular are telephone-based services?

	UK	France	Netherlands	European average
To businesses				
Base (number of respondents)	74	78	53	714
Application	1%	1%	1%	1%
Financial	55	30	42	51
Purchasing	33	48	30	58
Services/help lines	32	25	26	40
Government/public information	18	34	38	36
To consumers				
Base (number of respondents)	75	79	52	702
Application	1%	1%	1%	1%
Entertainment	15	8	2	13
Televoting/fund raising	58	30	33	32
Financial	38	41	36	37
Shopping/promotions	19	32	40	36
Services/advice lines	36	43	33	50
Government/public information	38	49	40	44

Source: Eurodata Foundation 1993 Eurodata Premium Rate Services Report

Sexy chat lines and quiz games have meant fast bucks for the telephone service companies and a bad reputation for premium-rate telephone calls.

But increasingly, audiotex, which combines computer processing power with traditional telephone services, is being used as a marketing tool to improve customer service and sell more products, be it bottles of beer or airline tickets.

UK furniture retailer Maples, for example, decided to use a special telephone service to back up its national press advertising. When the adverts appeared, the company needed one number which potential customers could call to inquire about the colour and fabric of sofas or chairs.

"Rather than try to train third-party people about our business we decided to use the trained staff out there in our stores who already knew our business," explains Mark Collier, marketing operations manager for Maples. "So the object of the exercise was to find a way of putting our customers directly in contact with their local store."

The answer was to advertise a single telephone number and then automatically divert callers to their nearest Maples shop. This was achieved by matching the national map of post codes with a similar map of telephone numbers - when the customer calls, a computer recognises his or her number and then ascertains the nearest store.

When the stores are closed, a recorded announcement gives the location of the nearest store and invites customers to call back the following day.

The 21 Maples stores receive between 300 and 400 calls a month as a direct result of the service. But the success of the venture is difficult to determine, other than through anecdotal evidence, says Collier. "In conversations with our store managers quite a few have commented that people have called about the adverts and then come into the stores and bought something. What we do know is that we sell a lot more of the suites that we advertise than of those that we don't."

In the US, audiotex services are a way of life - freephone calls are a \$750n (250bn) market and 25 per cent of all long-distance traffic there carries freephone calls. In the UK, worries about adult, or "pink", services and complaints from angry parents about their teenage offspring clocking up large telephone bills have tended to hamper the market. As a result business services are only just beginning to establish themselves.

These days, 25 per cent of all television adverts in the UK carry an 0800 number. "In the UK, we're heading towards more serious busi-

ness services," says Jacqui Howett, business development director of Legion, the London-based voice processing company which specialises in setting up telephone services for clients such as Maples. "More and more services are business to business."

The UK is not the only European country where this is happening. According to a recent Eurodata report on premium-rate services, the European market for such services will grow from \$1bn in 1992 to more than \$2bn in 1993.

Maples' decision to operate a business audiotex line was taken because it was "very cheap and easy to operate," says Collier. "It is an easy system to manipulate and manage if we open a new store."

Maples uses an 0845 number, so callers pay as if for a local call and Maples pays the rest of the charges - less than \$5,000 a year in total. The alternatives would have been to use an 0800 or 0500 number, where the call would have been free to the caller, or a premium rate number, prefixed with codes such

as 0881 and 0899 where the caller pays a premium rate of 35p or 45p a minute. "When we started off, we didn't know how many calls would be made or how much it would cost, so we thought the fairest thing was to go for a half-way house."

'Eventually people will begin to look at telephone lines as they do a traditional coupon on an ad'

explains Collier. "We didn't want to make money, that didn't sit very comfortably."

Other companies are not so reticent. Many companies now run competitions which involve telephoning at the premium rate to give the correct answers. "It can bring a number of benefits to the brand," says Matthew Hooper, managing director of marketing communications company Interfocus. "It can extend the budget and can be rein-

vested in the campaign. Or it sometimes gives the funds for a mail shot of information."

Charities are also big users of premium-rate lines. The choice depends on the objective, says Howett.

"If the objective is to generate revenue to help cover the costs of the promotion, then premium-rate calls are the answer. If you want to create a customer database, then an 0800 number is best. If you don't want to overcharge but you want to eliminate every Tom, Dick and Harry that calls on a freephone line, then an 0845 is the answer."

For many companies, automated answering is seen as a way of reducing costs. "Faced with the ever rising cost of employing live telephone agents, telemarketing operations are increasingly looking to use automated telemarketing to supplement their live agent operations," Howett says. "The beauty of automated systems is that you only pay for the calls you receive, not for an operator sitting there all day."

Others are combining traditional

human answering services with computer-aided telephony for out-of-hours or overflow calls.

Automated answering is most suitable for mundane repetitive inquiries, Howett points out. "We can weed out the people who want the basic information and then pass the more complicated inquiries on to the company's operators."

Many companies run a short-term promotion campaign, while others keep the numbers open on a long-term basis. The choice of service depends on the target audience, says Howett. "You don't need a sophisticated service if you're targeting a market that can't handle it."

That said, many organisations use surprisingly complicated services.

Legion, for example, frequently runs competitions for its customers where the computer can tell whether the answers given by the competitor are correct or incorrect, either by asking them to key in numbers on the telephone keypad, or by using voice recognition technology. (The latest systems can recognise a string of common words including numbers from one to 10.)

If correct, the caller is then asked to leave his or her name and address. This is recorded and the service provider can then pick the winners at random or pass the tape of all successful respondents back to the client to select the winner.

Other organisations have learnt to exploit very skilfully the value of the lines. The Anthony Nolan Bone Marrow Trust, for example, runs two professionally scripted lines, recorded by UK celebrities Joanna Lumley and Gary Lineker. They invite the caller to do three things: donate money; leave their name and address as potential bone marrow donors; and listen to information on the work of the trust.

Other organisations are making businesses out of "fax on demand" services where, by tapping in a premium number on a fax machine, textual information is automatically sent out to that fax number. Telecom Express, for example, runs a service for the Evening Standard sending out the financial pages to those who request it.

Foreign newspapers could be sent to readers in the UK this way, as already happens in the US, says George Porchester, one of the founding shareholders of Telecom Express. Porchester believes one of the developments in the near future will be the combination of premium voice and fax services, so that if a caller wanted further information after listening to a live operator or recorded message, details could be sent automatically by fax.

Eventually, says Hooper, "people will begin to look at telephone lines as they do a traditional coupon on an ad. They will begin to see they can get information immediately and at half the cost."

The little engine that could

Michio Nakamoto on a machine that offers power from less fuel

An engine that provides high power on low fuel consumption is the object of a never-ending quest for the car industry.

Mazda, the Hiroshima-based car maker, claims to have made great strides in that pursuit with an engine that raises fuel efficiency by 10 to 15 per cent, compared with conventional engines without losing power.

The new engine is known as the Miller-cycle engine, after Ralph Miller, an American engineer who came up with the theory in 1947.

According to Mazda, its Miller-cycle engine will combine the fuel efficiency of a 2,000cc engine with the power of a 3,000cc engine.

The improvement means that each car using a Miller-cycle engine will emit 600kg less carbon dioxide in a year, which, in effect, is equivalent to planting 100 trees, according to Koushi Hatamura, manager of the Powertrain Engineering Promotion Group at Mazda.

Given the growing concern with environmental protection, "the key to future competitiveness lies in how much an engine reduces the amount of CO₂ it emits," Hatamura believes.

Mazda's faith in the importance of creating an environmentally friendly engine kept the company's development team working long after others had given up on putting it to practical use in cars.

In the 1980s, no less than General Motors of the US, and Nissan of Japan, among others, put a lot of work into developing the Miller-cycle engine.

The problem facing car makers is that increasing the power of a car usually leads to lower fuel efficiency. Specifically, the power of a car to turn its wheels, known as torque, increases in proportion to the amount of air and fuel that is injected into the engine.

The energy that creates torque results from the movement of the piston in the engine's cylinders that compresses the air and fuel mixture in an upward stroke. The pressure on that air-fuel mixture causes combustion. Energy is released

in the piston's next movement keeping the expansion stroke. The larger the expansion stroke, the greater the engine's torque.

One way to increase torque is to push more air and fuel into the same amount of space. The problem is that although it allows high fuel efficiency, it tends to raise the temperature of the engine and create abnormal combustion, known as knocking.

Mazda's Miller-cycle engine overcomes that problem by keeping the intake valves open for a longer time, so that the air and fuel mixture enters the cylinder open for part of the compression time. This prevents the temperature from rising too much and thereby avoids knocking.

The intake valve is left open until the piston rises one-fifth from the bottom and some of the air-fuel mixture flows out of the cylinder at this time. The valve is then closed for a shortened compression stroke.

However, the shorter compression stroke means that the pressure is reduced. And when this happens, expansion is reduced as well.

So Mazda had to find a way of keeping the pressure high so as not to reduce the amount of expansion, which would in turn have reduced the torque.

What it needed was a new type of compressor to do the job. Working with Ishikawajima-Harima Heavy Industries, the company adapted the Lysholm compressor - found in some ships and in industrial use - for use in cars.

With the Lysholm compressor, twice the pressure of conventional compressors can be applied to the air-fuel mixture when it is pushed into the cylinder. Since the mixture is already

compressed, even with a reduced compression stroke by the piston, expansion is not reduced.

The compressed air-fuel mixture also contributes to the fuel efficiency of the engine. Mazda plans to introduce its new engine in some of its higher-end cars in about a year. It will be the first time in more than 40 years for the Miller-cycle engine to be brought to practical use in cars.

SUMMARY OF THE FINANCIAL YEAR 1992

GENERALI

THE INSURER WITHOUT FRONTIERS.

Group Business. The Generali Group has further strengthened its position as leader in insurance on an international scale. Among its operations in 1992, the most important related to the Spanish market where, following the agreements with Banco Hispano-Americano, Generali assumed management of the holding in which each has an equal share and which controls six insurance companies with premiums amounting to some 200 billion pesetas. Generali furthermore acquired control of the Federation Ins. Co. of Canada in Montreal, of Atlas of Lima, and of an English holding company. It increased its majority stakes in the BMA of Kansas City - now up to 100% - and in the Unione Mediterranea di Sicurtà di Genova. It set up holding companies, into which it put insurance shareholdings, in Bel-

gium and Germany and it took over an Italian farming company.

In the early months of 1993 Generali has taken control of Nacional in Ecuador, has participated in the establishment of a company in Rumania, Generala Asigurari, in which it has a majority stake, and has extended agreements with banking institutions for the distribution of insurance and financial products through banks' branches. Initiatives are also under way towards the twin objectives of, on the one hand, optimising the Group's structure in some of its traditional territories such as Belgium and Germany (following Holland where such an operation has already been completed), and, on the other hand, expanding the Group's presence in Latin America, East Europe and the Far East.

Parent Company Business. The Company gave priority to improving underwriting results, through an action to reform the portfolio and through adoption of an extremely prudent and selective policy in risk assumption, with particular attention to Italian busi-

ness.

The slight but intended slackening in premium growth rates brought about by this policy was fully compensated by the positive results achieved in improving the claims ratio which, as regards direct Italian non-life business, was reduced by six points. At the same time the account benefitted from the incisive action to contain costs that had been under way for some time and in 1992 alone enabled this

costs-premiums relationship in Italian business to be brought down by one and a half points. Altogether, however, global underwriting results deteriorated because of exceptional losses suffered in business abroad and determined in indirect business, by a series of natural calamities.

But brilliant results in financial activities as well as considerable profits realised on the alienation of securities, partly deriving from operations of an extraordinary nature, together with gains emerging from foreign currency conversions, enabled underwriting losses to be fully made good, so that the annual results closed with a profit slightly above that of the preceding year.

1992 CONSOLIDATED STATEMENT		
	1992	1991
ASSETS (000 ECU)*		
Building and farm property	5,547,427	4,569,230
Fixed-interest securities	21,192,458	15,661,764
Shares and equity participations	5,022,561	3,940,848
Loans	2,147,552	1,685,861
Deposits with Ceding Companies	426,349	353,798
Bank deposits	2,111,959	1,438,800
Accounts receivable and other assets	4,672,591	3,193,988
Total	41,120,897	39,844,289
LIABILITIES (000 ECU)*		
Provisions for insurance liabilities	31,772,006	22,584,717
Reinsurance deposits	402,941	383,330
Other liabilities	2,722,627	2,178,720
Minority shareholders' interest	1,249,772	961,370
Shareholders' surplus	4,649,708	4,408,569
Profit for the year	323,843	317,583
Total	41,120,897	39,844,289

* All figures have been converted at the rate of exchange of £1 = ECU 1.252

■ This statement consolidates 82 insurance companies (including 8 European Assistance companies) operating in some 40 markets, 37 holding companies, 23 property companies and 3 farming companies.

■ The profit is 323.8m. ECU, slightly above that of the preceding year, but nevertheless notable in that it was achieved under unfavourable

economic conditions and despite writedowns in security valuations. These were reflected in the account (ECU 308.2m. against ECU 118.4m. in 1991) and were exceptionally high due also to the extremely prudent criteria that were applied. Particularly satisfactory was the operating result, which improved by ECU 76.1m. to reach nearly ECU 226m.

■ Consolidated premiums amounted to ECU 12,623.4m. against ECU 9,013.7m. in 1991. This 40.1% rise was influenced also by the inclusion of new companies in the consolidation and by the effect of exchange rate variations. Premiums in Life Insurance amounted to ECU 5,161.1m. in Non-Life to ECU 7,467m.

■ Claims paid amounted to ECU 6,369.9m.

■ Provisions for insurance liabilities increased by ECU 4,713.9m.

■ Production and administrative costs amounted to ECU 3,038.7m. The ratio of costs to premiums declined from 29% in 1991 to 27.1%.

■ Investments rose to ECU 26,448.3m. (+31.8%), against which provisions for insurance liabilities amounted to ECU 31,772m.

■ Investment income totalled ECU 3,901.7m. (+41.2%).

■ Overall shareholders' equity amounted to ECU 5,847.8m. of which 79.6% pertains to the Parent Company.

1992 HIGHLIGHTS		
(000 ECU)*	1992	1991
Premiums written	4,958,360	4,067,446
Premiums ceded	-582,055	-495,999
Net premiums	4,376,305	3,571,447
Net investment income	1,194,698	901,563
Technical interest allocated to Life funds	-108,514	-542,477
Insurance underwriting results	-321,844	-268,435
Stundry income and expenditure	-20,522	29,727
Operating profit	143,818	60,924
Profit on sale of properties and securities	223,648	306,096
Exchange profit	140,207	-
Unrealised capital losses on securities	-156,553	-39,948
Extraordinary losses	-97,409	-75,900
Total other items	169,893	190,248
Taxes on profits	-84,189	-36,851
Profit for the year	219,522	274,321

* All figures have been converted at the rate of exchange of £1 = ECU 1.252

■ The profit of ECU 219.5m. is slightly up on that of the previous year, despite writedowns on security valuations reflected in the account to the extent of ECU 196.5m. against ECU 39.9m. in 1991. The operational result registered a marked improvement, passing from ECU 60.9m. to ECU 143.8m.

■ Premiums amounted to ECU 4,958.4m. (+21.9%); ECU 1,922.5m. were in Life Insurance and ECU 3,035.9m. in Non-Life.

■ Claims paid totalled ECU 2,504.8m.

■ Provisions for insurance liabilities increased by ECU 1,765.5m.

■ Production and administrative costs totalled ECU 1,116.6m. The incidence on premiums of costs (26.5%) dropped from 28.5% in 1991 to 24%.

■ Investments rose to ECU 14,612.6m. against ECU 12,456.5m. in 1991 (+16.5%). Unrealised capital gains in the securities portfolio amounted to ECU 2,818.9m.

■ Investment income totalled ECU 1,194.7m. against ECU 901.5m. in 1991 (+32.5%).

■ Overall shareholders' equity amounted to ECU 5,847.8m. The surplus over the minimum solvency margin requirement is of ECU 1,368.3m. for the Life sector and of ECU 1,325.3m. for Non-Life.

■ The dividend, before tax, is 360 lire per share.

■ Shareholders in the Company will furthermore benefit from the possibility of participating in the capital increase by its subsidiary Allianz Assicurazioni, earmarked for servicing bonds issued by Mediobanca and convertible into Allianz ordinary shares. The bonds will be coupled with a warrant issued by Generali, which will give the right to purchase one Allianz savings share, from those held by Generali, for every group of three. The bonds/warrants packages will be offered not only to Allianz shareholders but also to Generali shareholders on the basis of one for every twenty-five shares and/or warrants 1991-2001.

■ The house capitalization on 26 June 1993 - date of the annual meeting - was 27,458.3 billion lire.

■ Chairman: Managing Director: Eugenio Coppola di Carzano; Vice-Chairman: Antonio Bernheim, Francesco Cingano, Carlo della Torre e Tasso; Managing Director: Gianfranco Guty.



THE INSURER WITHOUT FRONTIERS.

The Generali Group, besides Italy, operates in Argentina, Australia, Austria, Bahamas, Belgium, Brazil, Canada, Colombia, Denmark, Ecuador, France, Germany, Gibraltar, Great Britain, Greece, Guatemala, Guernsey, Hong Kong, Hungary, Iceland, Israel, Japan, Lebanon, Luxembourg, Malta, Mexico, Principality of Monaco, Netherlands, Nigeria, Panama, Peru, Portugal, Rumania, San Marino, Singapore, South Africa, Spain, Switzerland, Turkey, United Arab Emirates, United States, Venezuela.

COMMODITIES AND AGRICULTURE

Coffee producers meet to thrash out cartel details

By Bill Hinchberger in Sao Paulo

LATIN AMERICAN coffee producers today begin a two-day meeting in Rio de Janeiro to thrash out details of the exporters' cartel through which they hope to drive up prices from the present depressed level.

They have already succeeded in lifting world market values from the recent 20-year lows by agreeing to withhold 20 per cent of scheduled shipments.

Today's gathering will define the statutes, location and budget of the new producers' association. This is intended to fill the gap left by the collapse in July 1989 of the export quota system operated by the International Coffee Organisation, following which world prices, already depressed at the time, slumped by another 50 per cent.

Delegates at this week's meeting will also consider the price level at which stocks would be released to the market. Mr Jair Coser, president of the Brazilian Federation of Coffee Exporters, has suggested that it could be between 80 and 90 US cents a pound, a range reported to be favoured by Colombian producers.

That target is modest compared with the \$1.20 to \$1.40 range the ICO, a producer-con-

sumer group, was attempting to defend until 1989.

The Brazilian private sector has proposed that the amount retained be reduced to 10 per cent if the price rebounds partially, but that idea was given a lukewarm response when put on Tuesday to Mr Jose Eduardo de Andrade Vieira, minister of industry and commerce, according to Mr Coser.

However, Brazilian officials, influential in negotiations because they represent the world's biggest exporter, appear to be keeping an open mind. "The possibility exists" of a trigger scheme, said Mr Gilson Kimesen, director of the National Coffee Department of the ministry.

The Rio de Janeiro meeting is a lead up to a gathering of all of the world's major coffee exporters scheduled for August 16-17 in Uganda. The final accord is scheduled to be signed September 16 in Brasilia and retention initiated in October.

Discussions on a producers' association to regulate stocks and try to boost international prices began after the collapse earlier this year of talks aimed at revitalising the ICO.

Individual countries are already outlining domestic retention schemes, which the cartel is likely to police with the help of an international auditing firm.

EC farmers 'misled over set-aside'

By Alison Maitland

THE EUROPEAN Commission has misled member states and their farmers over the timing of new rules governing land to be taken out of production under the reformed common agricultural policy, UK farmers said yesterday.

Commission proposals on fixed areas of land that can be left fallow for five years were due by the end of this month but failed to appear as expected on the agenda at yesterday's meeting of EC commissioners, said Mr David Naish, president of the National Farmers' Union.

"We are bitterly disappointed and frustrated at the lack of co-operation the UK has received from the commission," he said in a letter of protest to Mrs Gillian Shepherd, UK agriculture minister.

Farmers urgently needed to know the details of the new scheme so that they could plan their autumn crop planting, said Mr Naish, who accused the commission of having little or no interest in providing the legislation.

"The delays in sorting out this issue also make nonsense of any attempt on the part of farmers to manage the countryside and the land generally in an environmentally beneficial way," he said.

Farmers who left land fallow in the last five-year set-aside scheme, which is just ending, were also anxious to know whether they will continue to be paid to keep it all unplanted, he said. About 1,100 English farmers put 33,000 hectares into set-aside under the old programme.

Last year's CAP reforms introduced direct payments to arable farmers as compensation for cuts in EC support prices, provided they set aside 15 per cent of their land on a rotating basis.

It is the rules for non-rotating set-aside, due to start next January, that are awaited. Farmers want to know if they can take more land out of production than the 15 per cent minimum put forward by the commission and still receive full compensation and whether they can mix fixed and rotating set-aside.

Without the rules, farmers may have to wait until the spring to sow, achieving lower yields, less profitable crops, said the NFU.

The union believes the reason for the delay is that the new proposals have become entangled in attempts by other member states such as France and Germany to reduce the length of the six-year scheme for rotating set-aside.

S Africans abandon reserve on gold hedging

Miners have made more forward sales than many thought, writes Philip Gawith

UNTIL RECENTLY South African mining houses had an almost theological view of gold. There was no such thing as a pricing policy - you were simply expected to believe in the metal and the price would inevitably rise. In the words of one industry newcomer: "You were supposed to leave the marketing to God".

In consequence, compared to North American and Australian producers, South Africans remain novices at gold hedging. They have, however, progressed well beyond theology as was revealed in a blast of glasnost last week when producers, celebrating the recent rise in the metal price, stumbled over each other in the rush to release details of their forward positions.

Anglo American, the world's largest producer, released details of its forward sales for the first time, as did its associate Johannesburg Consolidated Investments. Anglo, the gold arm of the Gencor group, also offered more detail than in the past about its forward sales strategy.

The picture that emerges is that South Africa is selling forward more gold than many thought: in the year to June 1994, about 173kg (the figure is not precise as Randgold does not publicise the extent of its forward sales) or 25 per cent of production, which is on course

for about 617 tonnes in 1993.

The broad picture, however, disguises some significant divergences between the different mining houses in terms of strategy. Some are clear winners and some equally obvious losers, with the associated rewards and penalties considerable.

A variety of reasons were put forward for the improved disclosure. Foremost among these was shareholder pressure, cited both by Mr Kenneth Maxwell at JCI and Mr Gary Maude at Anglo. Mr Maxwell said that with the recent reversal in the price trend, investors were very anxious to know the extent to which various mines were exposed to the spot price.

Mr Clem Sunter, chairman of Anglo's gold and uranium division, cited two different reasons: that the company had achieved the aims of its hedging policy; and that it was no longer active in the market (and hadn't been since April).

The aim of the policy, said Mr Sunter, was to keep marginal mining areas at full production. That the policy has worked is illustrated by the fact that Anglo is producing more gold than three years ago, while its workforce has shrunk by only 7,000 out of a total of 180,000, the sort of social commitment the group is anxious to make.

According to Mr Sunter,

Anglo's hedging policies secured 110 tonnes of annual production, worth R4.4bn at present prices, saving 70,000 jobs in the process. About 50 tonnes of this comes from marginal areas and the other 60 tonnes from major capital projects that the group was able to proceed with because hedging helped keep suitable tax shields in place.

Others had even more basic reasons to hedge. Mr Gary Maude, managing director of Anglo, notes that he hedged in order to survive. He notes that in September 1992, most of the group's production was in the R26,000-R33,000 (£2,900-£3,700) a kilogram cost bracket compared with a price of R31,383 a kilogram.

"We had very, very good reasons to protect ourselves," he says. "We're hedging to stay in business, not to make extra income."

Hedging, of course, is a double-edged sword. The price of securing insurance against lower prices is missing out on the potential bonanza should prices rise sharply, as they have recently - from about R32,000 to R42,000 a kilogram in three months. Mr Maude is thus painfully aware that, at current gold prices, earlier hedging is actually denying them extra income. Anglo concedes, for example, that

hedging depressed its profits in the June quarter by about a third compared with what they would have made receiving the spot price.

Arguably those like Anglo - Randgold, the gold arm of the Rand Mines group, is another - who came fairly late to hedging have been doubly hurt. First, when cost pressures really started to weigh on the industry in about 1990, they missed out on the opportunity to lock in more favourable prices. Now, they find themselves having hedged large portions of their production at prices well below the present market level.

The consequences of these decisions are considerable. While Anglo is able to boast about hedging helping to protect jobs, Anglo has seen its workforce shrink to 49,000 from 90,000 in 1989. At Harmony, the largest Randgold mine, the workforce is down to 14,500 from 29,000 three years ago. At the very least, had these groups pursued hedging earlier, it is likely their job losses would have been less and the financial state of their mines would probably have been better.

That, however, is water under the bridge. What to do in future again presents agonising dilemmas, especially given the recent surge in the gold price. Excellent prices can be locked in now - R52,000 a kilo-

gram for a sale two years out - but this has to be set against the possibility of a genuine bull market developing. All that can be said with certainty is that heated debates are under way in the various mining houses about appropriate strategy.

Both Anglo and Anglo have said they have stopped selling forward, but will continue to watch the market for pricing opportunities. In terms of strategy, Mr Maude says Anglo will in future use hedging to provide insurance against downside in the price as opposed to merely securing survival.

Hedging aside, one sure trend in the months ahead is that the mines will take the opportunity offered by the higher gold price to access more marginal ore bodies, saving the higher grade deposits against the return of tougher times. Development work at the mines will thus be increased vigorously to reach these lower grade ore bodies, allowing mines more production flexibility and ultimately prolonging their life expectancy.

Mining lower grades, however, will push up unit costs and keep dampening profit margins. But for mines that until recently were struggling to show any profit margin at all, that is the sort of problem they can live with.

Miners unhappy with aboriginal land decision

THE AUSTRALIAN federal government has moved to dampen a heated national debate over native land claims, granting some rights to aborigines over mining leases but overriding claims to residential and pastoral land, reports Reuters from Canberra.

Special minister of state Mr Frank Walker, leading negotiations on the issue, said the latest decision should allay aborigines' concerns over mining on native lands.

"The government has decided that we will give aboriginal people the same rights as everyone else in the community, a right to negotiate and then if that doesn't work a tribunal will arbitrate," Mr Walker said in a radio interview.

The issue has flared up in the past few months following land claims by aborigines on the basis of a landmark 1992 high court ruling that their native title to Australia had not been extinguished by white

settlement in 1788. As a result aborigines theoretically can lay claim to vast parts of Australia, including prospective mining areas.

Mining industry leaders criticised the ruling and warned that it threatened foreign investment.

The Australian Bankers' Association yesterday called for an end to uncertainty over land title, saying its members were reluctant to lend to businesses in areas subject to claims.

The compromise does not give aborigines a veto over mining on native lands but the right to negotiate and refer disputes to a new tribunal, government officials confirmed. But the government could still override a tribunal decision if it was not regarded to be in the public interest, they added.

Mr Walker said that mining companies whose leases on native land expired would also have to negotiate with aborigines to renew them.

Feathered herds give heavyweight profits

Matthew Kaminski on the rapid growth of US ostrich ranching

EVOLUTION DEALT the ostrich a mixed hand. The world's largest, presumably oldest and certainly moodiest bird boasts a protective hide covered with motley coloured feathers, carries around 300lb of red meat and lays delicious eggs. Such impressive physical endowment has, unfortunately for the earth-bound avian, great commercial value.

African farmers have long realised the bird's potential. But in the US only recently have ostriches become a hot commodity. In fact, the US supply for this alternative cash crop remains solely in the hands of breeders, who sell the birds at inflated prices to satisfy demand.

Since ostriches were first introduced from South Africa in the mid-1980s the number of ranchers raising them has grown to about 3,000.

The ranches are usually small, but surprisingly profitable. An adult pair, which can produce between 30 and 120 eggs per year, now carries a \$80,000 price tag, which is still

rising quickly. Two yearlings can be bought for about \$12,000 to \$15,000 and chicks, which require much care, are a bargain at \$3,000 each. No wonder many Americans with a backyard and a high fence have at least mulled over this investment.

Mr Howard W. "Bud" Kerr Jr., who runs the one-man (no window) small-scale farming office at the sprawling US Department of Agriculture, says he gets as many as 30 inquiries about ostriches each week.

At the Circle M Ranch in south-west Missouri, Mr Bob McKean has been raising ostriches since 1986, when he bought his first pair for only \$8,000. He now owns 35 birds, quite a lot by present standards, which are raised on a 75ft by 120ft plot.

Many such breeding ranches are run across the country's farm belt, especially in Texas, Oklahoma and Missouri.

It is not clear when the demand will be satisfied, though estimates range from five to ten years. Other large-

scale agricultural commodities like Angus cattle and the Texas longhorn also were launched by a breeder's market.

The ostriches' potential under normal market conditions has not been questioned. The bird has many uses.

Ostrich flesh, already used to make jerky in Africa, caters to the demand for low fat and low cholesterol meat. Large-scale slaughter has not begun, but the meat, now taken from sterile birds, sells for \$6 to \$10 a pound. Health-conscious ostrichs have been cited as a possible fertile future market.

The black, blue and white feathers, which on the European market bring \$50 to \$1,000 a pound, are used in feather dusters, fashion accessories, theatre costumes and pens. This is a renewable resource: an ostrich can be plucked twice a year.

But perhaps most coveted is the hide, used to make boots and brief cases. Tanned hides bring \$30 to \$50 a sq ft while custom "full quill" boots can cost as much as \$2,000.

Starting an ostrich farm is easy, farmers say. An estimated 2,000 birds are needed to turn a profit under normal market conditions. For now, however, an operation even smaller than Mr McKean's can do the trick.

The birds, unlike cattle, need little space and eat little. They usually live for around 70 years and most of them are fertile. "They're just large chickens," says Mr Ronald Mascher, who publishes the Small Farm Today magazine.

But they are probably not as smart. Owners warn that the birds must be trained and handled carefully because, with a brain barely bigger than a peanut, the ostrich has an impulsive character.

The birds do not stick their heads in the sand to avoid danger - a terribly damning myth, ostrich owners lament - but they are prone to unrelenting pecking, running around at speeds in excess of 45 mph and generating enough force with their two-foot feet to, in the words of one expert, "disembowel a lion".



There are other problems. Chicks often have a high mortality rate, usually a consequence of indigestion or inclement weather; the market for many ostrich products, particularly meat, remains untested; and prices are highly volatile.

Volatility may not be such a drawback, however, as US farmers are well known for having a strong speculative streak.

MARKET REPORT

GOLD and SILVER powered ahead in afternoon trade on the London bullion market, largely ignoring the OTC options expiry but possibly reacting to strong US economic figures, dealers said. Gold closed above \$394 a troy ounce after rising at \$393.15 in the afternoon, up from a morning high of \$391.80. Earlier it was announced US durable goods orders rose 3.8 per cent in June, the biggest gain since December, and well above the average forecast 1 per cent. "The options were all covered, so it must have been the economic data which caused the buying," one dealer said. BASE METAL trading

London Markets

SPOT MARKETS			
Crude oil (per barrel FOB West)			+0.00
Dubai	\$14.98-14.99		+0.00
Brent Blend (fixed)	\$17.27-17.28		-0.05
Brent Blend (spot)	\$17.04-17.05		-0.03
WTI (11 pm set)	\$18.91-18.92		+0.05
Oil products			
NWEE prompt delivery per tonne CIF			+0.00
Premium Gasoline	\$195-197		
Gas Oil	\$163-164		+1
Heavy Fuel Oil	\$65-67		+0.5
Naphtha	\$155-157		+1
Petroleum Augus Estimates			
Other			
Gold (per troy oz)	\$394.2		+0.7
Silver (per troy oz)	\$515.5		+0.2
Platinum (per troy oz)	\$420.0		+0.8
Palladium (per troy oz)	\$140.0		+0.85
Copper (US Producer)	91.00		+0.5
Lead (US Producer)	34.00		
Tin (Korea Lumpur market)	12.75m		+0.35
Tin (New York)	225.50		+0.5
Zinc (US Prime Western)	62.00		
Cattle (live weight)	130.00p		+1.39
Sheep (live weight)	91.50p		-0.32
Pigs (live weight)	75.50p		-0.51
London daily sugar (raw)	\$238.8		-0.4
London daily sugar (white)	\$255.0		+4.0
Tate and Lyle export price	\$271.0		+0.5
Barley (English feed)	11m		
Wheat (US No 3 yellow)	\$171.0		
Wheat (US Dark Northern)	\$167.0		
Rubber (SIC)	59.00p		
Rubber (RSS No 1 A)	207.00m		
Cocoa (US Philadelphia)	\$457.5		-7.5
Palm Oil (Malaysia)	\$325.0		-5.0
Cocoa (Philippines)	\$170.0		
Cotton "M" index	55.35		-1.0
Woolstone (US Super)	\$20p		-0.05

was slow on the LME, and minimal interest was seen, although most markets ended steadier as sentiment showed signs of becoming more positive. COPPER continued to pay little heed to fundamentals, which are hardly supportive at present. Instead, the market again pushed higher against a background of a developing squeeze between September and early October. Chicago SOYABEAN were falling at mid-session, under pressure from warmer and drier weather in the western US Midwest.

Compiled from Reuters

SUGAR - LME (\$ per tonne)			
Months	Close	Previous	High/Low
Oct	255.00	254.50	255.00-255.50
Nov	255.00	255.10	255.50-256.50
Dec	255.00	255.50	255.50-256.50
Jan	256.70	256.50	257.50
Feb	256.70	256.50	257.50
Mar	256.70	256.50	257.50
Apr	256.70	256.50	257.50
May	256.70	256.50	257.50
Jun	256.70	256.50	257.50
Jul	256.70	256.50	257.50
Aug	256.70	256.50	257.50
Sept	256.70	256.50	257.50
Oct	256.70	256.50	257.50
Nov	256.70	256.50	257.50
Dec	256.70	256.50	257.50
Jan	256.70	256.50	257.50
Feb	256.70	256.50	257.50
Mar	256.70	256.50	257.50
Apr	256.70	256.50	257.50
May	256.70	256.50	257.50
Jun	256.70	256.50	257.50
Jul	256.70	256.50	257.50
Aug	256.70	256.50	257.50
Sept	256.70	256.50	257.50
Oct	256.70	256.50	257.50
Nov	256.70	256.50	257.50
Dec	256.70	256.50	257.50
Jan	256.70	256.50	257.50
Feb	256.70	256.50	257.50
Mar	256.70	256.50	257.50
Apr	256.70	256.50	257.50
May	256.70	256.50	257.50
Jun	256.70	256.50	257.50
Jul	256.70	256.50	257.50
Aug	256.70	256.50	257.50
Sept	256.70	256.50	257.50
Oct	256.70	256.50	257.50
Nov	256.70	256.50	257.50
Dec	256.70	256.50	257.50
Jan	256.70	256.50	257.50
Feb	256.70	256.50	257.50
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200	68.6	St. Louis 2010	83

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Critical day for the ERM

THE BUNDESBANK helped to ease tensions inside the European exchange rate mechanism yesterday after it cut the cost of lending short term funds to commercial banks by a slightly larger sum than had been expected, writes James Blyth.

The lowest accepted bid for 14 day funds in the Bundesbank's weekly money market operation was 6.95 per cent, slightly larger than market expectations of a cut to 7 per cent.

The move made a cut in Germany's discount rate very likely at today's council meeting, and helped to stop extra currency falls in the value of the peseta and escudo in early morning trading. The French franc also rose back beyond the FF240 level against the D-Mark and closed in London at FF240.40.

But, despite yesterday's easing, there was uncertainty in the currency market over what the Bundesbank must do today if it wants to bring the crisis in the ERM to a halt.

Dealers in interest rate markets were anticipating a 50 basis point cut in the German discount rate today as a result of yesterday's move in the repo rate. But, now that this easing

is priced into the market, some analysts are uncertain what its actual implementation will mean for the French franc.

Mr Paul Chertkov, global currency strategist at UBS in London, said that the Bundesbank would have to cut the discount rate by at least 75 basis points today. Anything less could, in his view, trigger the collapse of the ERM.

The currency tension was all too clear yesterday morning after the peseta and escudo moved with a volatility that was described by one analyst as unprecedented.

After closing on Tuesday night at Ptas80, the Spanish currency plummeted to a historic low of Ptas230 against the German currency. The Portuguese escudo brushed its ERM floor against the D-Mark, bottoming out at Esc10.35.

Intervention by the Bank of Spain and the Bundesbank rate cut helped to stabilise the Iberian currencies. The peseta

closed at Ptas80.41 against the German currency.

Yesterday's tensions depressed the Belgian franc, forcing the authorities in Belgium to intervene in support of the currency. The Belgian franc bottomed out at BF20.7710 to the D-Mark before closing at BF20.66.

However, in the futures market, it was striking that the implied annualised volatility in the D-Mark/Belgian franc was at 7 per cent having been at 0.25 percentage points only a few weeks ago. Dealers clearly took a dim view of Belgium's commitment to keep the franc within 1/2 per cent fluctuations against the German currency.

Sterling suffered another fall against the D-Mark following strong speculation in interest rate markets that the UK could cut base rates in the next few weeks. The pound closed at DM2.5675 from a previous DM2.5700.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change	% Spread	Devises
Deutsch Mark	100	1.9362	-0.39	3.41	40
French Franc	100	1.3663	-0.39	3.41	20
Italian Lira	1,000	1,936.2	-0.39	3.41	20
Spanish Peseta	100	166.67	-0.39	3.41	20
Portuguese Escudo	100	200.48	-0.39	3.41	20
Irish Punt	100	7.8756	-0.39	3.41	20
Greek Drachma	100	340.75	-0.39	3.41	20
Yugoslav Dinar	100	13.6371	-0.39	3.41	20
Romanian Leu	100	16.6667	-0.39	3.41	20
Bulgarian Lev	100	1.9362	-0.39	3.41	20
Czech Koruna	100	166.67	-0.39	3.41	20
Slovak Koruna	100	166.67	-0.39	3.41	20
Hungarian Forint	100	166.67	-0.39	3.41	20
Polish Zloty	100	166.67	-0.39	3.41	20
Croatian Kuna	100	166.67	-0.39	3.41	20
Serbian Dinar	100	166.67	-0.39	3.41	20
Slovenian Tolar	100	166.67	-0.39	3.41	20

Source: Reuters. All rates are for 100 units of the foreign currency against 100 units of the D-Mark. Percentages are calculated on the previous day's closing rate. The pound sterling is quoted against the D-Mark.

Forward rates are for 12 months. All rates are for 100 units of the foreign currency against 100 units of the D-Mark.

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FINANCIAL FUTURES AND OPTIONS

LIFE LONG FINANCIAL FUTURES

Contract	Open	High	Low	Prev
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104	104.00	104.00	104.00	104.00
105	105.00	105.00	105.00	105.00
106	106.00	106.00	106.00	106.00
107	107.00	107.00	107.00	107.00
108	108.00	108.00	108.00	108.00
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WORLD STOCK MARKETS

Table with multiple columns showing stock market data for various countries including Australia, Canada, Germany, France, Japan, and the UK. Columns include stock names, prices, and changes.

Table titled 'CANADA' showing stock market data for various Canadian companies and indices. Columns include company names, prices, and changes.

Table titled 'INDICES' showing various market indices and their values. Columns include index names and their corresponding values.

Table titled 'JAPAN' showing stock market data for various Japanese companies. Columns include company names, prices, and changes.

Table titled 'NEW YORK ACTIVE STOCKS' showing active stock trading data for various companies. Columns include company names, prices, and changes.

Table titled 'JAPAN' showing stock market data for various Japanese companies. Columns include company names, prices, and changes.

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4 pm close July 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000
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NASDAQ NATIONAL MARKET[illegible]

1 day class, July 20

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1991

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AMERICA

Merck fall puts check on advance by Dow

Wall Street

ENCOURAGING economic news battled declines in several big stocks, including DuPont and Merck, to leave US stock little changed yesterday morning in spite of some encouraging economic news, writes Patrick Harverson in New York.

At 1 p.m., the Dow Jones Industrial Average was down 5.59 at 3,558.87. The more broadly based Standard & Poor's 500 was 0.07 lower at 448.17, while the Amex composite was down 0.06 at 434.71, and the Nasdaq composite up 3.78 at 704.78. Trading volume on the NYSE was 163m shares by 1 p.m.

The morning's economic news was broadly positive. The Commerce Department announced a 3.3 per cent climb in June durable goods orders, an increase that was three times larger than analysts had forecast. The figures, however, came with a catch. The big increase was due primarily to a large jump in orders for commercial aircraft, a traditionally volatile component. Without the aircraft orders, the overall increase was just 0.3 per cent.

Even then, analysts said that they were still relieved to see that orders were up in June. The news failed to lift market sentiment or prices, which tumbled at the opening, before recovering later. Although some investors continued to take profits following recent record-breaking gains in the Dow, the bulk of the declines were attributable to a handful of leading stocks.

Merck led the way, falling almost 2% in early trading after the big drug group announced a \$6bn acquisition of Medco Containment Services, which will be funded through a new equity issue and debt financing. Merck recovered some of its losses later in the morning, and by early afternoon the stock was down 0.1% at \$30.14 in volume of 4.2m shares. Medco, traded on the Nasdaq market, soared 85% to \$384.

DuPont fell 1% to \$47 after the company disappointed the markets with second quarter earnings of 78 cents a share, well below the 84 cents a share expected by analysts.

Chrysler dropped 3% to \$41.14 in volume of 5.8m shares even though the car maker unveiled strong second quarter net income of \$685m, which

included one-off gains worth \$110m from the sale of stock and a plastics unit. The decline may have been a natural correction following recent big gains in Chrysler's share price.

In the same sector, Ford climbed 1% to \$51.14 in volume of 1.1m shares on news of an impressive improvement in second quarter earnings. General Motors' class B shares, which represent the company's EDS unit, firmed 1% to \$27.44 after the company, which announced as expected profits yesterday, said it expected double-digit revenue growth in 1993.

Eastman Kodak rose 1% to \$53.44 after the company reported second quarter net income of \$1.13 a share, up from \$1.11 a share a year earlier, even after a special charge.

Canada

TORONTO was firmer at midsession helped by strength in metals and oil and gas.

The TSE-300 composite index was 15.38 higher at 3,928.98 in volume of 28m shares.

Among sub-indices the oil and gas sector was 46.72 firmer at 4,538.88.

EUROPE

Market hopes rise for interest rates cut

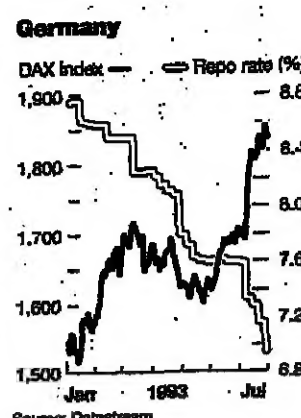
BOURSES were mixed yesterday ahead of today's Buba meeting, writes Our Markets Staff.

FRANKFURT eased in spite of a cut in the repo rate which may herald an easing in interest rates today. The market is looking for a cut in the range of 50-60 basis points.

However, Nikkei Europe, expressing a widely held view, suggested that a cut today would not be justified by monetary guidelines and could thus only be in response to political pressures, and such a scenario would be found prudent only to many members of the policy-making council as an infringement of a long-standing tradition of political independence.

The DAX index lost 11.32 to 1,833.91 in turnover of DM7bn.

The car sector continued to feature after Volkswagen forecast earnings recovery later in the year and the shares put on DM11.70 to DM359.70. Elsewhere, Porsche gained DM9.20 to DM579 but Daimler fell back DM7.60 to DM682.50.



PARIS drifted lower as the market marked time ahead of today's Buba meeting. The CAC-40 index lost 8.58 to 1,989.63 in turnover of FF42.8bn.

The market is also awaiting tomorrow's June unemployment figures which are expected to show another rise, perhaps to 3.5m. Futures and options also expire on Friday. Elf Aquitaine attracted

investor interest yesterday, the shares going against the trend with a gain of FF6.90 to FF415.90, while Eurotunnel built on Tuesday's gains, adding a further 70 centimes or 1.8 per cent to FF39.30.

AMSTERDAM gathered a little ground, the CBS Tendency index up 0.4 to 119.6. Hoogovens gained FL1.70 to FL40.40 after a US steel ruling on anti-dumping excluded hot-rolled steel.

MILAN quickly overcame some early nervousness in the wake of the overnight bombing as the prospects for lower interest rates seemed more persuasive. The Comit index edged 1.50 higher to 588.18.

Ferruzzi remained volatile in speculative trading, rising 1.225 to 7.7 per cent to L464.

ZUBROH was led higher by a strong banking sector, on expectations of strong profits growth this year and the SMI index rose 10.3 to 2,408.8.

US bearers, the day's most active issue, gained SF20 to SF1,198 while SBC bearers gained SF15 to SF897, helped

FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES									
		Open	10.30	11.00	12.00	13.00	14.00	15.00	Close		
FT-SE Eurotrack 100	1226.20	1228.04	1228.78	1228.56	1228.02	1227.21	1228.43	1228.33		Jul 27	Jul 28
FT-SE Eurotrack 200	1228.50	1230.30	1230.65	1230.73	1230.32	1229.25	1231.74	1231.25		Jul 27	Jul 28
		Jul 27	Jul 28	Jul 29	Jul 30	Jul 31	Jul 1	Jul 2	Jul 3		
FT-SE Eurotrack 100	1228.56	1240.21	1224.42	1217.14	1212.76						
FT-SE Eurotrack 200	1227.42	1234.91	1219.36	1215.93	1216.97						

Base rates 1000 (25/1993) Higher: 100 - 1240.00; 200 - 1260.00; Lower: 100 - 1230.00; 200 - 1250.00.

by a warrant issue.

BRUSSELS was cautious ahead of the Bundesbank meeting and the Bel-20 index edged 0.18 higher to 1,301.67. Cockerill Sambre, the steelmaker, rose 5.97 or 5.9 per cent to BF125 in heavy trade as it caught up with gains elsewhere in the sector.

VIENNA recovered some of its early losses and the ATX index closed down 6.85 at 989.47 after touching an early low of 955.66.

MAJOR slipped off the day's highs after the emergence of profit-taking but the general index posted a 1.52 rise to 263.87.

STOCKHOLM finished at a year's high with the Affarsvarden index up 12.40 to 1,185.60 and the building and property sector some 4.3 per cent firmer.

HELSINKI's Hex index improved 2 per cent to 1,227.3 with interest mainly concentrated on banks.

ISTANBUL corrected recent falls in technically inspired trading as the composite index gained some 7 per cent to 9,714.90. Carnegie International cautious against forecasts that the index will surge back to the 11-12,000 level since economic/political factors do not support a sustained rally.

ASIA PACIFIC

Uncertain political outlook leaves Nikkei edging lower

Tokyo

TRADING remained subdued by continuing political uncertainty, and share prices were finally marginally lower after trading within a tight range, writes Emiko Terazono in Tokyo.

The Nikkei average lost 61.81 at 12,823.58 after a day's low of 12,793.58 and high of 12,958.00. By buying by public pension funds and investment trusts absent, the index lost ground in tandem with the futures market.

Volume amounted to 180m shares, against Tuesday's 200m. Declines outnumbered advances by 513 to 432, with 192 issues unchanged. The Topix index of all first section stocks shed 3.17 to 1,622.98. In London the ISE/Nikkei 50 index rose 1.32 to 1,261.85.

Traders feared that investors would remain inactive, using the political situation as an excuse. Mr Yasuo Ueki at Nikko Securities said: "Even after a new prime minister is chosen, investors may not want to trade until policies are made by the cabinet."

Investors have reacted calmly to the likelihood of a non-Liberal Democratic Party coalition gaining power. The two splinter parties yesterday decided to join the coalition formed by the five remaining opposition parties, giving the opposition side a majority. Market participants are also focusing on the next LDP president, who will be chosen tomorrow.

Some banks lost ground on profit-taking. Sakura Bank receded Y20 to Y1,640 and Fuji Bank lost Y30 to Y2,480. Brokers were also easier on fears of lower profits due to the sharp fall in recent market volume. Daiwa Securities weakened Y40 to Y1,280 and Nikko

Securities shed Y20 to Y1,080.

Nomura Securities retreated Y20 to Y2,010. Investors were discouraged by reports that they would bail out an ailing non-bank financial subsidiary.

Speculators took profits in Nikkatsu, the most active issue of the day, which relinquished Y1 to Y18.

Game makers firmed on hopes that new software would boost profits. Sega Enterprises rose Y400 to Y10,700 and Namco Y140 to Y3,890.

Nippon Kayaku, a chemical maker, moved up Y5 to Y899 as investors were encouraged by reports that the renovation of Sumitomo Chemical's epoxy resin plant, which exploded earlier this month, would take longer than expected. Sumitomo dipped Y5 to Y450 on expectations of a lower market share.

In Osaka, the OSE average declined 21.33 to 21,926.24 in volume of 13.8m shares. Nintendo rose Y300 to Y9,580.

Roundup

PACIFIC Rim markets had a mostly restrained session.

HONG KONG finished moderately higher in selective trade as the market awaits results from leading companies in the coming weeks. The Hang Seng index advanced 37.34 to 6,903.21, after hitting an early low of 6,838.20. Turnover shrank to HK\$2.35bn from Tuesday's HK\$2.9bn.

Sun Hung Kai Properties, the most active stock, put on 50 cents at HK\$36.75. It was followed by HSBC Holdings, which added HK\$1 at HK\$73, and Guoco Group, which gained 90 cents at HK\$23. Last week Guoco struck a deal to buy the Overseas Trust Bank from the government.

AUSTRALIA saw News Corp at the centre of attention on an otherwise subdued day and the

All Ordinaries index closed 3.5 firmer at 1,818.4.

News Corp climbed 19 cents to AS\$9.49 with 6.5m shares traded after its successful buy into Star TV, the Asian satellite broadcaster.

Turnover was boosted to AS\$423m by heavy trading in several stocks. Centro Properties, formerly Jennings Properties, topped turnover with about 87.9m shares changing hands, losing a cent to 56 cents as Fletcher Challenge and Jennings Group sold their combined 35.9 per cent stake.

NEW ZEALAND gained 1.5 per cent in good volume, and the NZSE-40 capital index finished 25.65 higher at a fresh three-year peak of 1,767.97.

Telecom, which reports first-quarter results today, gained 10 cents at \$3.46, up 61 per cent from a year ago.

MANILA was mixed after some late profit-taking but the composite index rose 2.59 to a new record of 1,740.97.

TAIPEI saw late nervous selling which left the weighted index 50.81, or 1.3 per cent, lower at 4,019.63 in moderate turnover of T\$17.41bn.

Tuesday's release of business indices indicating a possible slowdown had hurt sentiment.

BOMBAY edged lower in thin trade as fears rose over Prime Minister P.V. Narasimha Rao's government surviving a no-confidence vote in parliament after the market had closed. The BSE index ended 10.89 down at 2,153.99.

SINGAPORE was left lower on selling in shares following weaker than expected half-year earnings reported by Sembawang Shipyard. The Straits Times Industrial index shed 11.32 to 1,794.21.

Sembawang Shipyard fell 50 cents to S\$11.00 in volume of 3.06m shares, while its warrants dipped 50 cents to S\$5.70 on 563,000 shares traded.

Sharp setback in Turkey as Pakistan rallies

John Pitt and Farhan Bokhari review activity in the world's emerging markets

A sharp setback in Turkey last week contributed to a near 4 per cent decline in the Europe/Middle East regional index of emerging markets.

The data, supplied by the IFC, a member of the World Bank, also shows that Pakistan put on an impressive gain during the week in dollar terms, although over the year to date its performance is less substantial.

Pakistani equities fell yesterday, ending the bullish fervour which began with continued rises since the appointment on July 18 of a new interim government.

The KSE-100 index on the Karachi stock exchange fell by 28.88, closing at 1,405.99.

That is still 125.25 points higher than the 1,280.74 closing index on July 19, the day before the beginning of the latest rises. Although many say the day's activity as a short-term interruption in rising trends, some were confused as to whether the recent round of large profits was gradually ending.

Mr Mudassar Malik, a director at BMA Capital Markets, said many stocks had risen earlier with last week's devaluation of the Pakistani rupee. That had created expectations of larger profits for export-oriented companies, especially in the textile sector.

However, yesterday's falls were partially on account of adjustments for industrial companies other than textiles whose shares had risen, without realising that they were likely to face new pressures on account of higher import bills for their inputs, he added.

A leading Karachi businessman said future trends will be set after Mr Moen Qureshi, the prime minister, returns from Washington at the end of this week. Mr Qureshi is due to meet senior officials at the IMF

and World Bank to discuss Pakistan's external financing needs.

Pakistan has just completed a budgetary year with a record high deficit, and the government is under pressure from external donors to introduce measures for tight fiscal controls, as a step to balance its books.

Elsewhere, Nomura's global strategists this week recommended a switch out of south-east Asia into Mexico, thereby lifting their weighting in the latter from 2 per cent to 5 per cent.

In explanation, Nomura's strategists, Nicholas Knight, Anthony Brocardo and Allison Southey, refer to the combination of fundamentals - less than 10 times 1993 earnings, potential catalyst for a sharp rise if the NAFTA negotiations are successful, and a sound technical position.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms		Local currency terms	
		Jul 23 1993	% Change over week	Jul 23 1993	% Change over week
Latin America					
Argentina	(11)	606.20	+0.8	372,043.54	+0.8
Brazil	(44)	198.29	+3.3	17,151,437.18	+3.3
Chile	(20)	409.92	-0.8	563.78	-0.9
Colombia	(8)	397.95	+1.9	562.18	+2.0
Mexico	(59)	661.16	+1.6	889.75	+1.4
Venezuela	(9)	598.27	+3.1	1,241.38	+3.7
East Asia					
South Korea	(130)	99.76	-2.5	105.01	-2.4
Philippines	(11)	152.04	-0.1	205.08	+3.1
Taiwan, China	(76)	84.12	+1.5	83.59	+2.3
South Asia					
India	(81)	73.33	+1.5	81.09	+1.5
Indonesia	(31)	78.11	-0.8	89.81	-0.7
Malaysia	(61)	210.53	+4.5	199.25	+4.5
Pakistan	(8)	225.67	+7.7	300.21	+11.8
Thailand	(52)	245.10	+1.2	248.51	+1.0
Euro/Mid East					
Greece	(17)	226.75	+2.8	362.87	+3.4
Jordan	(5)	164.39	-3.2	235.71	-3.6
Portugal	(18)	90.27	-2.7	106.48	0.0
Turkey	(31)	127.42	-8.5	684.18	-8.5

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base index Dec 1989=100 except where noted which are 1991=100, 1992=100, 1993=100, 1994=100, 1995=100, 1996=100, 1997=100, 1998=100, 1999=100, 2000=100, 2001=100, 2002=100, 2003=100, 2004=100, 2005=100, 2006=100, 2007=100, 2008=100, 2009=100, 2010=100, 2011=100, 2012=100, 2013=100, 2014=100, 2015=100, 2016=100, 2017=100, 2018=100, 2019=100, 2020=100, 2021=100, 2022=100, 2023=100, 2024=100, 2025=100, 2026=100, 2027=100, 2028=100, 2029=100, 2030=100, 2031=100, 2032=100, 2033=100, 2034=100, 2035=100, 2036=100, 2037=100, 2038=100, 2039=100, 2040=100, 2041=100, 2042=100, 2043=100, 2044=100, 2045=100, 2046=100, 2047=100, 2048=100, 2049=100, 2050=100, 2051=100, 2052=100, 2053=100, 2054=100, 2055=100, 2056=100, 2057=100, 2058=100, 2059=100, 2060=100, 2061=100, 2062=100, 2063=100, 2064=100, 2065=100, 2066=100, 2067=100, 2068=100, 2069=100, 2070=100, 2071=100, 2072=100, 2073=100, 2074=100, 2075=100, 2076=100, 2077=100, 2078=100, 2079=100, 2080=100, 2081=100, 2082=100, 2083=100, 2084=100, 2085=100, 2086=100, 2087=100, 2088=100, 2089=100, 2090=100, 2091=100, 2092=100, 2093=100, 2094=100, 2095=100, 2096=100, 2097=100, 2098=100, 2099=100, 2100=100, 2101=100, 2102=100, 2103=100, 2104=100, 2105=100, 2106=100, 2107=100, 2108=100, 2109=100, 2110=100, 2111=100, 2112=100, 2113=100, 2114=100, 2115=100, 2116=100, 2117=100, 2118=100, 2119=100, 2120=100, 2121=100, 2122=100, 2123=100, 2124=100, 2125=100, 2126=100, 2127=100, 2128=100, 2129=100, 2130=100, 2131=100, 2132=100, 2133=100, 2134=100, 2135=100, 2136=100, 2137=100, 2138=100, 2139=100, 2140=100, 2141=100, 2142=100, 2143=100, 2144=100, 2145=100, 2146=100, 2147=100, 2148=100, 2149=100, 2150=100, 2151=100, 2152=100, 2153=100, 2154=100, 2155=100, 2156=100, 2157=100, 2158=100, 2159=100, 2160=100, 2161=100, 2162=100, 2163=100, 2164=100, 2165=100, 2166=100, 2167=100, 2168=100, 2169=100, 2170=100, 2171=100, 2172=100, 2173=100, 2174=100, 2175=100, 2176=100, 2177=100, 2178=100, 2179=100, 2180=100, 2181=100, 2182=100, 2183=100, 2184=100, 2185=100, 2186=100, 2187=100, 2188=100, 2189=100, 2190=100, 2191=100, 2192=100, 2193=100, 2194=100, 2195=100, 2196=100, 2197=100, 2198=100, 2199=100, 2200=100, 2201=100, 2202=100, 2203=100, 2204=100, 2205=100, 2206=100, 2207=100, 2208=100, 2209=100, 2210=100, 2211=100, 2212=100, 2213=100, 2214=100, 2215=100, 2216=100, 2217=100, 2218=100, 2219=100, 2220=100, 2221=100, 2222=100, 2223=100, 2224=100, 2225=100, 2226=100, 2227=100, 2228=100, 2229=100, 2230=100, 2231=100, 2232=100, 2233=100, 2234=100, 2235=100, 2236=100, 2237=100, 2238=100, 2239=100, 2240=100, 2241=100, 2242=100, 2243=100, 2244=100, 2245=100, 2246=100, 2247=100, 2248=100, 2249=100, 2250=100, 2251=100, 2252=100, 2253=100, 2254=100, 2255=100, 2256=100, 2257=100, 2258=100, 2259=100, 2260=100, 2261=100, 2262=100, 2263=100, 2264=100, 2265=100, 2266=100, 2267=100, 2268=100, 2269=100, 2270=100, 2271=100, 2272=100, 2273=100, 2274=100, 2275=100, 2276=100, 2277=100, 2278=100, 2279=100, 2280=100, 2281=100, 2282=100, 2283=100, 2284=100, 2285=100, 2286=100, 2287=100, 2288=100, 2289=100, 2290=100, 2291=100, 2292=100, 2293=100, 2294=100, 2295=100, 2296=100, 2297=100, 2298=100, 2299=100, 2300=100, 2301=100, 2302=100, 2303=100, 2304=100, 2305=100, 2306=100, 2307=100, 2308=100, 2309=100, 2310=100, 2311=100, 2312=100, 2313=100, 2314=100, 2315=100, 2316=100, 2317=100, 2318=100, 2319=100, 2320=100, 2321=100, 2322=100, 2323=100, 2324=100, 2325=100, 2326=100, 2327=100, 2328=100, 2329=100, 2330=100, 2331=100, 2332=100, 2333=100, 2334=100, 2335=100, 2336=100, 2337=100, 2338=100, 2339=100, 2340=100, 2341=100, 2342=100, 2343=100, 2344=100,